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National
Home Center News ®

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Ace Hardware president Roger Peterson said that major changes in the co-op's advertising and merchandising, detailed at last month's fall convention, are aimed at making Ace's dealers more competitive in the DIY market. NHCN photo

Ace unveils dramatic plan to transform co-op

By John Caulfield
NHCN staff editor

ATLANTA — The 7,000 dealers and vendors attending Ace Hardware Corporation's fall convention Oct. 18 to 21 are probably still reeling from hearing of Ace's dramatic plans in advertising, merchandising and marketing that aim to transform the company over the next few years.

"We've done a lot of soul searching, and have talked at length with our dealers about our strengths and weaknesses," said Roger Peterson, Ace's new president, in a interview with *NHCN* during the show, which was the co-op's second-best attended ever. "There's nothing wrong with our basic philosophy, but we felt that there was something missing for too many dealers in our programs."

On the surface, the nation's second largest hardware wholesale co-op with sales last year of $1.009 billion does not appear to be in need of any major adjustments. Its sales through the third quarter were up 4.6%, and its most

(Continued on page 57)

O-C proposes restructuring plan to pare firm to the bone

By Phillip M. Perry
NHCN staff editor

TOLEDO, Ohio — Owens-Corning Fiberglas' restructuring plan will leave the company with three operating business groups projected to do around two thirds of O-C's 1986 estimated volume of $3.8 billion.

The company's insulation and roofing operations will remain intact, but the plan—as detailed in a proxy statement mailed to shareholders last month—will leave O-C in a highly leveraged position, with total debt and other liabilities of $3.5 billion exceeding total assets by $1 billion.

Stockholders were sched-

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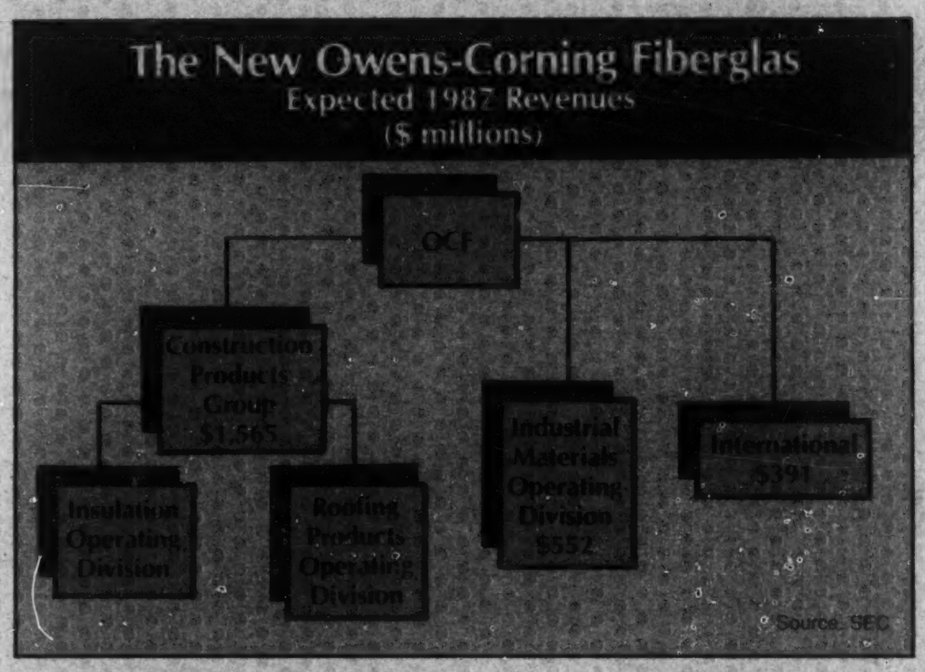

Owens-Corning expects total 1987 revenues of $2.5 billion, down from $3.8 billion this year. NHCN chart

Strober Brothers plans offering to raise $10 mil. for expansion

By Milford Prewitt
NHCN staff editor

BROOKLYN, N.Y. — The Strober Organization, parent company of the $78 million, nine-unit Strober Brothers chain, unveiled plans in mid-October to raise about $10 million from an initial public offering designed to finance expansion plans.

The company filed a preliminary prospectus with the SEC proposing to offer 850,000 shares of common stock to the public at a price of between $11 and $13.50 per share. Oppenheimer & Co., New York, is the lead underwriter.

A 74-year-old firm, Strober Brothers since 1972 has grown from a single location in New York City serving roofers to nine outlets operating in New York, New Jersey and Connecticut.

Between 1981 and 1985, the company's net sales increased 147% from $31.5 million to $77.9 million while net income increased 1,287% from $247,000 to $3.4 million. For the first six months of 1986, the company has earned $2.2

(Continued on page 58)

Scotty's manufacturing plant put on block

By Donald Longo
NHCN staff editor

WINTER HAVEN, Fla. — One month after closing six old stores and scaling back ambitious remodeling plans for the current fiscal year, Scotty's announced last month that it will try to sell its main manufacturing plant in order to concentrate better on its retail business.

Separately, Scotty's announced net earnings for its first quarter ended Sept. 27 declined 43.8% to $1.59 million or 11 cents per share, from $2.83 million or 20 cents the previous year. Sales were up 7.6% to $118.7 million.

Located adjacent to Scotty's headquarters and central distribution center com-

Scotty's has put its main truss, door and vanity manufacturing plant on the selling block after determining that it was not performing up to expectations. NHCN photo

plex, the truss, prehung door and vanities manufacturing facility, which replaced the chain's former primary manufacturing plant nearly two years ago, "was not performing at a level we would expect or demand from our investment," explained Richard Martineau, executive vice president of the 127-unit chain.

The company estimated the value of the 208,750-sq.-ft. facility, which accounted for 75% of the chain's annual manufacturing volume, at around $6 million. Martineau declined to release sales and profit figures for the plant, which cost the chain about $4.5 million in building and real estate.

(Continued on page 4)

General Felt pays $290M for Color Tile

By an NHCN staff editor

FT. WORTH, Texas — General Felt Industries (GFI), a Saddle Brook, N.J.-based holding company which owns Diamond Lumber, obtaines control of Color Tile on Oct. 15 when investors accepted a $31.50 buyout bid.

GFI said it had obtained

(Continued on page 58)

INSIDE

The sun also rises on Japan's growing DIY industry-Page 21
Taiwanese hardlines prominent in U.S.-Page 28

Scotty's tests video kiosks in 11 units-Page 40
Big Jakes ties popular projects to new computer software-Page 42

NEWSBREAKS

MR. HOW EXECUTIVES ON THE MOVE: Hank Kirschner, the former executive at Grossman's, Lindsley and, most recently, Mr. HOW Warehouse, has joined the 23-unit Handy Andy Home Improvement Centers, Gurnee, Ill., in the newly created post of senior vp-marketing, effective Nov. 1. In June, Handy Andy purchased five Mr. HOW units in the Chicago market. Gary Landress, Mr. HOW's vp-merchandising, recently joined Titan Industries, an Atlanta import/export firm.

INDUSTRY UPDATE

Home Depot sells 2.6M shares

ATLANTA — The Home Depot raised over $48 million on Oct. 16 from its offering of 2.6 million shares of new common stock, plus 390,000 additional shares for underwriters' over-allotment options. The shares were sold at $17.00.

The company had originally intended to go to market with two million shares, plus over-allotments (*NHCN*, Oct. 6). The number of shares were increased when underwriters indicated demand for the offering would be higher than expected.

The underwriting group was managed by Merrill Lynch Capital Markets and Investment Associates.

Coast-to-Coast makes move

DENVER — Coast-to-Coast, the Minnetonka, Minn.-based wholesaler, announced last month it would move the remainder of its operations to this city on a gradual basis starting early next year, in a process to be completed by April 1987.

In August, the $330 million wholesaler moved a headquarters team of 25 people to Denver. The operating staff in the areas of advertising, merchandising, accounting and computerization remained in Minnetonka. (*NHCN*, Aug. 25).

The wholesaler said about 250 people would be involved in the move of the remainder of the firm.

Beaver acquires Crown chain

TORONTO — Beaver Lumber's acquisition of Crown Stores Ltd. was finalized on Oct. 1.

The deal strengthens Beaver's position in the major western Canadian cities of Calgary, Edmonton, Regina and Vancouver where Crown operated 11 of its larger stores called HomeTown. Beaver has eight stores in those markets.

In combining the chains, four stores will be closed in those markets leaving a total of 15 units and increasing Beaver's retail square footage there from 258,000 sq. ft. to 620,000 sq. ft.

"That's why we did the deal," said Beaver president John Lacey. The deal also included small 15 CrownMart stores in rural Alberta and Saskatchewan.

Broadway opens Kansas unit

OVERLAND PARK, Kan. — Broadway Industries, a Kansas City, Mo.-based manufacturer of high-end decorative and plumbing fixtures, opened the chain's second home center here Oct. 27.

The home center's opening marks the firm's first foray into television advertising. Craig Miller, vp-retail division Broadway For Your Home said the opening will coincide with the start of four weeks of image building commercials, positioning the new store as an exciting place to shop.

The new 40,000-sq.-ft. rectangular Broadway For Your Home store features more than 30,000 stockkeeping units with an emphasis on plumbing. The Broadway Collection of decorative brass, plumbing fixtures and bath accessories is featured prominently in the middle of the store. Building materials and a small selection of lumber are in the store's back corner.

Robert Potts, president of Robert Potts Associates, a Dallas design firm, said the new store's decor is an attempt to project a "carriage trade" or department store image.

Home center stocks on rebound

NEW YORK — Home center stocks continued to rebound from September's market malaise as price gainers outnumbered losers, 37 to 13, with six issues unchanged, for the two-week period ended Oct. 17.

Among retailers, the winners were led by Hechinger A stock, which closed on Oct. 17 at $12.75, a 16.9% increase over the previous two-week period. Manufacturer issues were topped by American Woodmark which posted a 17.2% stock price gain.

Service Merchandise, the catalog showroom firm that is currently selling its Mr. HOW Warehouse chain, led all losers with a 14.4% decline to $9.63.

(See financial table, page 56.)

37 Gainers

6 Unchanged

13 Losers

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Lumber prices quickly fluctuate since imposition of new tariff

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Lumber prices have both risen and fallen since the imposition of the countervailing duty on Canadian lumber, making lumber buyers' jobs all the more confusing.

The wait-and-see attitude lumber buyers exhibited during the market volatility incited by mill strikes in British Columbia and the pretariff period has become an entrenched way of doing business since the duty was imposed.

A preliminary 15% tariff on all Canadian softwood lumber was imposed by the Commerce Department last month, and while it represented a victory of sorts for tariff advocates, it brought little pleasure to the Coalition for Fair Lumber Imports, the main proponents of the duty who had been seeking a 32% to 36% tariff.

The tariff percentage represented estimates of the amount of subsidies the Canadian government funnels to its forest products industry. The allegation of subsidies precipitated the Commerce Department's countervailing duty investigation.

Less than 24 hours after the Commerce Department announced the tariff on October 16, a Thursday, lumber buyers returned to their offices Friday morning to find mill quotes up $20 to $25 per thousand bd. ft., even for American products. By the beginning of the following week, however, lumber buyers reported that prices had stabilized and were dropping.

Lumber buyers frazzled

These price fluctuations in the aftermath of the tariff, combined with the daily shortage of some 3,000 to 4,000 missing carloads from the

(Continued on page 58)

Gen. Host moves to stem Frank's losses

By Phillip M. Perry
NHCN staff editor

STAMFORD, Conn. — General Host said last month it was taking steps to stem operating losses incurred from its rapid roll out of Frank's Nursery and Crafts stores.

Harris J. Ashton, General Host's chairman, told the New York Society of Security Analysts his company would:

- Open more stores in existing markets to reduce advertising and administrative expenses and boost revenues;
- Open a warehouse in Harrisburg, Pa., to reduce freight costs; and
- Shift its cash investment strategy from a high risk posture to preservation of capital.

The announcements came on the heels of second quarter losses of $5.3 million from continuing operations, compared with losses of $975,000 in same quarter in 1985.

Second quarter income came to $4.4 million, compared with $116,000 the same quarter the previous year.

Revenues for the quarter came to $121.9 million, up from the $96.8 million the same quarter the year before.

Expansion continues

While the purpose of the three key moves is intended to cut expenses, the company is maintaining its goal of building its chain to 500 nursery and craft stores producing at

(Continued on page 58)

DIY convention gets off to slow start

By Laura Liebeck
NHCN staff editor

NEW YORK — DIY Marketing '86, the combination DIY and nonfood supermarket convention organized by Continental Exhibitions of New York, got off to a slow start last month.

Debuting at Manhattan's new Jacob Javits Convention Center Oct. 7-9, DIY Marketing '86 failed to attract attention and may not be back.

"The show got off to a slow start," admitted Jerome Charnizon, president of Continental Exhibitions, adding that the DIY portion of the event was "a little more disappointing" than its nonfood counterpart, sponsored by *Supermarket News*, a trade publication.

Charnizon told *NHCN* that he and his committee will "evaluate and examine" the results of the show and determine whether to hold it next year, now scheduled for Nov. 17-19, 1987, at the Javits Center.

If the show returns, Charnizon said it would probably be in a different form, and may even be moved from New York. His decision was expected by the end of October.

"We gave it our best shot," Charnizon said. Attendance figures were disappointing. Only 1,500 people walked through in the first two days and 5,000 in total—exhibitors and visitors—were preregistered for the first hardware-type event in New York in 12 years, Charnizon reported. The results were far less than Charnizon had originally predicted.

DIY Marketing '86 housed 280 companies in 49,000 net sq. ft. of space at the Javits Center. Visitors and exhibitors were lost to each other in the show's expansive floor plan, 14 horizontal aisles giving the "perception that it was far worse than reality," Charnizon said. If the show returns, the configuration of the aisles would be altered, Charnizon commented.

Missing from the show were many of the ingredients for a successful event, the most important of which include sufficient numbers of big name exhibitors that draw crowds, and retailers.

Dealers heard but not seen

Several exhibitors commented that since new shows generally start slowly, it would be unfair to bury it so soon.

However, exhibitors complained about a real dearth of retailers walking the floor. In fact, many said they "heard"

Jerome Charnizon, pres.-Continental Exhibitions, admitted that the show may not be back.

NHCN photo

some retailers were there but never saw them. Mostly, they said, they saw "reps."

Within the first hour of the show, one exhibitor, Ernest Fan, sales manager for Carton Associates, an importer of brass faucets under the brand name Liberty Faucets, said he wouldn't return next year. Others waited until later in the day to make that decision and many exhibitors said they would wait until after the show to make their evaluation. Still others, like representatives for Eastman-Kodak, said they would wait to

(Continued on page 58)

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Std. Brands income falls

By an NHCN staff editor

TORRANCE, Calif. — Earnings at Standard Brands Paint Co., the specialty chain here, continued to slide. In the quarter ended July 27, net income was off 12.1%, a decline to $4,795,000 on sales of $89,178,000, which declined 6.6% for the period.

For the first half of its fiscal year, Standard Brands' earnings fell 20.8% to $8,066,000 on sales of $166,970,000, down 5.3%. Earnings per share were down to 71 cents from 91 cents a year ago.

Gross margins for the first six months fell slightly to 43.1% from 43.55% for the comparable period a year ago. However, the company was able to improve its profitability in the second quarter, as margins rose to 43.22% from 42.48% in the second quarter, 1985.

In addition, the company was able to knock 2.6% off its selling and general administrative costs during the second quarter.

Company officials attribute the company's recent lackluster performance—which included a 10.5% decline in same-store sales during the quarter—to "the uncertain economy and [a] highly competitive retail environment."

Consequently, the company has sought a number of cost cutting measures. At the end of the recent quarter, Standard Brands closed its Kent, Wash., facility, and will now service its stores in the Pacific Northwest from its headquarters warehouse. The closing was expected to result in an estimated $1 million savings in annual operating expenses.

However, the company is still committed to growth. During the second quarter, it opened five new stores, and plans to open another in the third quarter.

Corrections

An Oct. 6 story about Menard Cashway's newspaper ad promoting its newest store incorrectly identified the state where the store is located. The unit is in Apple Valley, Minn.

Rust-Oleum spent a combined estimated total of $2.06 million on commercial television advertising time last year for its home and automotive care products, making the Vernon Hills, Ill., manufacturer one of the home center industry's top 10 users of the medium among suppliers, according to the Television Bureau of Advertising. An earlier TVB report, published in the June 4 issue of *NHCN*, did not include all of Rust-Oleum's product lines in the total, resulting in an understatement of the company's spending in the home improvement field.

JT's Home & Builders Centers was wrongly referred to as J.T. O'Connor in the October 20 issue of *NHCN*.

Emhart takes $150M restructuring charge

By an NHCN staff editor

FARMINGTON, Conn. — Emhart Corporation, which last year through acquisition began placing greater emphasis on the sale of its DIY products, will take a special pretax charge of approximately $150 million in the third quarter.

The charge, according to a prepared statement by the company, is part of "a worldwide restructuring program."

The statement explained that this program would entail "cost containment and an organizational restructuring and streamlining." The first facet will include personnel reductions, an incentive program for early retirement, and reduction in excess capacity. Low growth, marginal product lines or units will be divested.

The pretax charge and restructuring program will have "significant impact" on 1986 earnings "and could offset them," said the company's prepared statement. However, the restructuring is not expected to affect the company's $76 million capital expenditures budget, or the $45 million set aside for technology and research investments. Emhart also expects its cash flow from operations to continue to be strong.

Emhart, with sales in excess of $1.8 billion and 29,000 employees, had primarily been an industrial and commercial business until its acquisition late last year of the True Temper division of Allegheny International for $115 million. That purchase, combined with an intensified marketing program this year, was meant to place Emhart at the forefront of consumer product suppliers. And, according to Richard Campbell, its consumer group's vp-marketing, the company's fasteners, security hardware and other hardlines were expected to generate $500 million in sales by 1990, which would represent a 13% annual growth rate (*NHCN*, Oct. 20, 1985).

> "We really haven't spelled out yet what our restructuring will entail....But the consumer group is one of our growth businesses, and it in all likelihood will be one we will expand."
>
> **John Budd,**
> *senior vp-corporate communications, Emhart*

"We really haven't spelled out yet what our restructuring will entail," said John Budd, Emhart's senior vp-corporate communications. "But the consumer group is one of our growth businesses, and it in all likelihood will be one we will expand."

Peter Scott, Emhart's chairman and ceo, was quoted in *The Wall Street Journal* as stating that he wanted revenues and profits to increase annually by 4%. In recent years, that growth rate has been but 2%.

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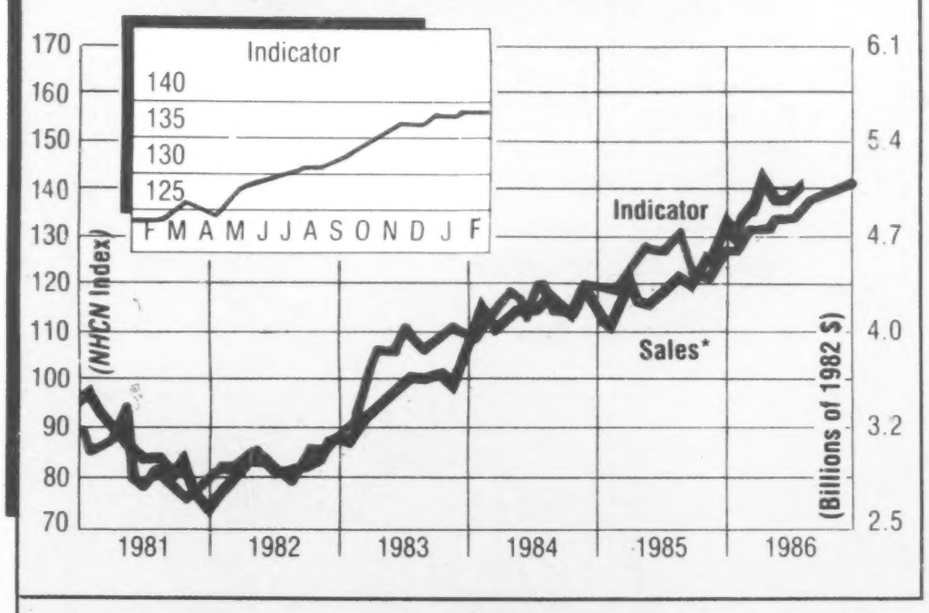
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN *Leading Indicator is projecting an expansion in building material sales in the first quarter of 1987. Resales were up in the second and third quarters and will increase building material demand.*

Additions, alterations to boost building material sales by 15%

By Richard E. Mount
Special to NHCN

Our forecast of building material sales has been raised to 15% for 1986 and 9% in 1987. Our outlook had called for a 12% gain in 1986. Building material sales through August are running above expectations and GNP should be stronger in the fourth quarter than previously thought. Strength in additions and alterations spending will support the increase in building material sales.

Additions cover homeowner spending, whether by himself or through a contractor, on the enlargement of the home by adding an extra room or garage, or the enhancement of the outside by laying new driveways, swimming pools, tennis courts, greenhouses and the like. Alterations cover such projects as remodeling or new electrical outlets. Homeowners have historically purchased 86% of the materials used in additions and alteration projects.

Richard E. Mount

Our research has shown four important factors for determining additions and alterations spending in the past.

- Consumer income gains allow homeowners to begin big-ticket improvements.
- Business downturns are usually positive. Homeowners, who would have moved, upgrade existing homes instead. Laid-off workers turn to projects around the home.
- Interest rates determine the cost of borrowing for home improvement loans.

(Continued on page 13)

General Business Conditions

		1985		1986				1987				
		QIII	QIV	QI	QII	QIII	QIV	QI	QII	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		**121.0**	**123.4**	**124.7**	**127.9**	**132.1**	**136.6**	**138.8**	**139.9**	**118.5**	**130.3**	**140.8**
General Economic Outlook												
	GNP $1982 Billion	**3,603.8**	**3,622.3**	**3,655.9**	**3,661.4**	**3,678.0**	**3,688.1**	**3,697.8**	**3,720.9**	**3,585.2**	**3,670.9**	**3,735.1**
	Real Disposable Income $1982 Bil.	2,524.7	2,540.7	2,581.2	2,625.8	2,619.5	2,629.3	2,642.9	2,655.8	2,528.0	2,614.0	2,662.9
	Housing Permits (000 SAAR)	1,762	1,741	1,834	1,822	1,750	1,650	1,550	1,610	1,739	1,767	1,621
	Housing Starts (000 SAAR)	1,688	1,773	1,988	1,908	1,820	1,720	1,650	1,700	1,742	1,859	1,709
	New Home Sales (000 SAAR)	711	696	789	789	675	700	710	710	686	738	730
	Resales (000 SAAR)	3,360	3,500	3,257	3,470	3,560	3,425	3,425	3,450	3,216	3,428	3,449
	Prime Rate %	9.5	9.5	9.4	8.6	7.8	7.4	7.0	6.8	9.9	8.3	6.7
	Mortgage Rate % (HUD)	12.1	11.8	10.8	10.1	10.0	9.9	9.5	9.3	12.5	10.2	9.4
	Consumer Price Index (1967 = 100)	323.0	326.5	327.7	326.3	328.6	331.4	334.0	337.0	322.1	328.5	338.8
	Producer Price Index (1967 = 100)	293.1	296.4	292.0	288.0	288.3	290.3	292.7	295.6	293.9	289.7	297.2
	New Housing Affordability 1980-100)	120.7	120.5	128.6	127.1	128.9	132.2	133.4	135.4	117.6	129.2	134.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**77,800**	**90,600**	**84,965**	**87,508**	**90,543**	**92,903**	**94,567**	**96,069**	**80,267**	**88,980**	**97,902**
	Maintenance and Repair	33,200	39,800	37,586	38,675	39,781	40,907	41,683	42,100	35,358	39,237	42,855
	Additions and Alterations	29,800	30,400	29,910	30,833	31,861	32,543	32,869	33,754	28,775	31,287	34,305
	Major Replacements	14,700	20,400	17,470	18,001	18,901	19,453	20,015	20,215	16,134	18,456	20,742
Constant	**Total Millions $1977 SAAR**	**45,368**	**51,857**	**48,150**	**49,100**	**50,300**	**51,100**	**51,500**	**51,800**	**46,985**	**49,663**	**52,513**
	Maintenance and Repair	19,385	22,780	21,300	21,700	22,100	22,500	22,700	22,700	20,719	21,900	22,988
	Additions and Alterations	17,400	17,400	16,950	17,300	17,700	17,900	17,900	18,200	16,775	17,463	18,400
	Major Replacements	8,583	11,676	9,900	10,100	10,500	10,700	10,900	10,900	9,491	10,300	11,125
Retail Trade Activity												
Current	**Total $ millions SAAR**	**1,399,296**	**1,388,316**	**1,404,932**	**1,421,400**	**1,474,232**	**1,455,670**	**1,477,839**	**1,502,503**	**1,373,941**	**1,439,059**	**1,512,665**
	Total Minus Automobile	1,066,248	1,082,244	1,095,360	1,098,912	1,113,732	1,117,772	1,136,455	1,156,482	1,061,148	1,106,444	1,165,676
	Building Material, Hardware, Garden Supply, Mobile Home	74,328	78,024	83,904	85,316	86,860	83,947	85,991	88,580	74,062	85,007	90,260
	Building Material and Supply	53,736	56,976	61,180	62,580	63,128	61,773	64,057	66,123	53,841	62,165	67,815
	Hardware	11,116	11,572	11,416	11,268	11,856	11,686	12,055	12,282	11,092	11,556	12,318
Constant	**Total Millions $1982 SAAR**	**1,308,139**	**1,288,244**	**1,306,567**	**1,138,411**	**1,382,932**	**1,352,000**	**1,359,000**	**1,368,000**	**1,282,772**	**1,294,978**	**1,370,250**
	Total Minus Automobile	1,003,997	1,009,867	1,027,361	1,049,247	1,059,686	1,053,000	1,060,000	1,068,000	997,299	1,047,324	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	70,743	73,605	78,763	82,347	84,084	80,460	81,602	83,227	70,215	81,413	84,355
	Building Material and Supply	51,144	53,749	57,422	60,401	61,111	58,800	60,370	61,700	51,035	59,434	62,936
	Hardware	10,580	10,918	10,717	10,876	11,477	11,200	11,440	11,540	10,507	11,068	11,515
	Building Materials % of Total Less Automobile ($Current)	5.04	5.26	5.59	5.69	5.67	5.53	5.64	5.72	5.07	5.62	5.82

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
October 16, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Home additions to boost bldg. material sales 15%

(Continued from page 12)

• Resales and new home sales two to three years earlier are important factors. Homeowners are often stretched thin after the purchase, especially in today's market, and it takes time for income to expand so that major improvements can begin.

Additions and alterations spending was weak in the late 1970's, rising 1.1% per year, in unit volume, from 1976 to 1980. People were moving more frequently then. Inflation encouraged homeowners to buy the most expensive home that they could afford and trade up again in a few years. The average age of the population was a problem. The number of two-income households was on the rise, but many working mothers had a "job" to make ends meet in an inflationary environment.

Additions and alterations will be stronger in the late 1980's. We expect the unit volume of spending to be up 4% this year, 5% in 1987, and 3-4% for the rest of the decade. People will be moving less frequently, encouraging the enhancement of existing homes.

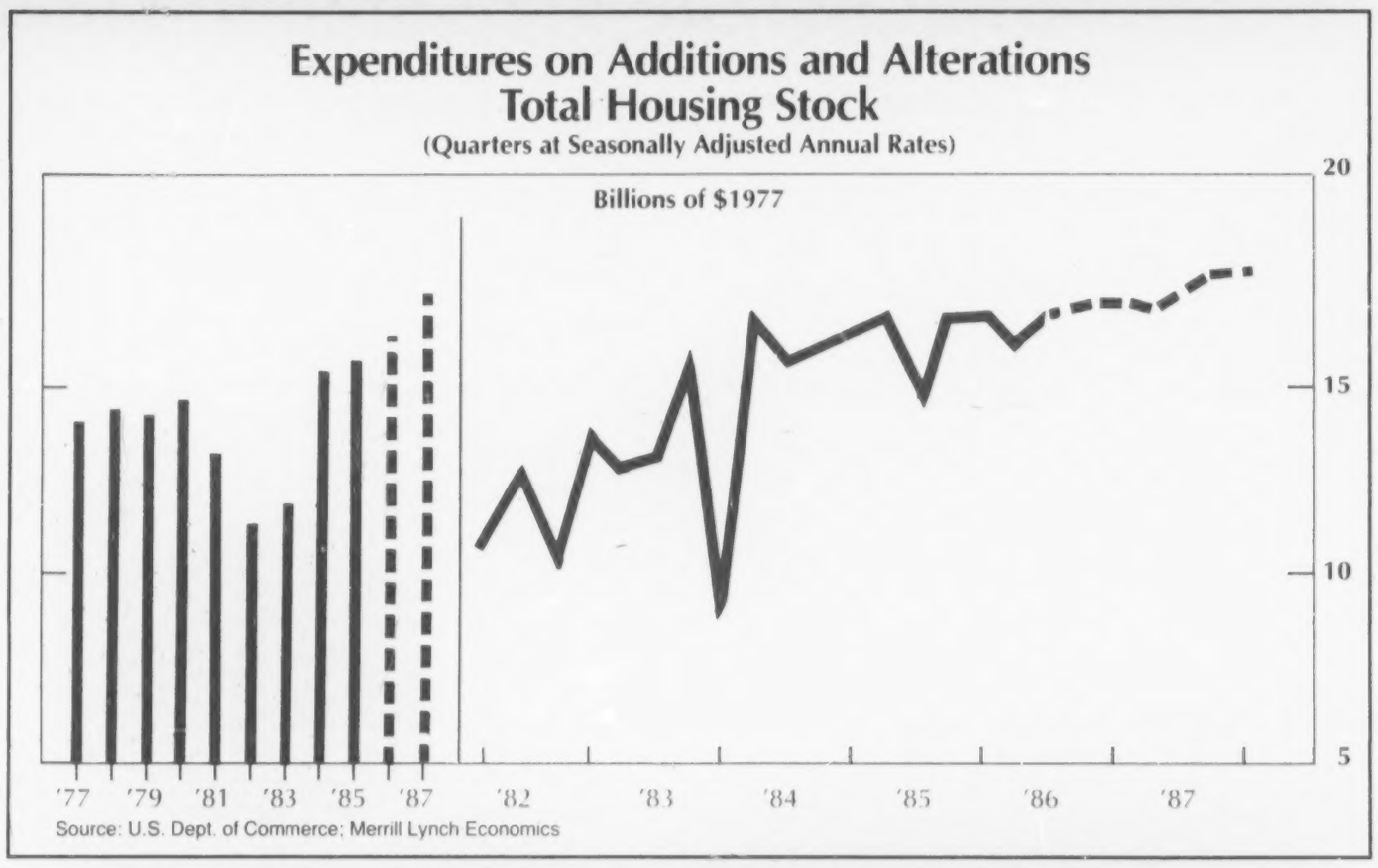
Aside from the Boston and New York markets, most home prices are not soaring as they did in the 1970's. The average age of the population is getting older as the post-war baby boomers mature. Working women are now on professional career tracks rather than the "jobs" of the 1970's. Mortgage rates remain high, especially when compared to the 4% underlying rate of inflation.

While many homeowners would like to trade up, high borrowing costs and modest gains in home prices will encourage spending on existing homes. Finally, the tax proposal makes special provisions for home improvements making them less expensive, after tax, than other goods or services.

Additions and alterations spending is expected to increase 9% this year and 10% in 1987 in dollar volume, helping to increase building material sales. Income gains will be accelerating next year and interest rates will be lower. Resales began to rise sharply in 1983, reaching 2.7 million units, and should stay above 3.4 million through 1987, increasing additions and alterations spending through the end of the decade.

For building material retailers, sales for most stores will be shifting from home builder to home owner through 1987. Those stores offering the best mix of price and selection will prosper.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.



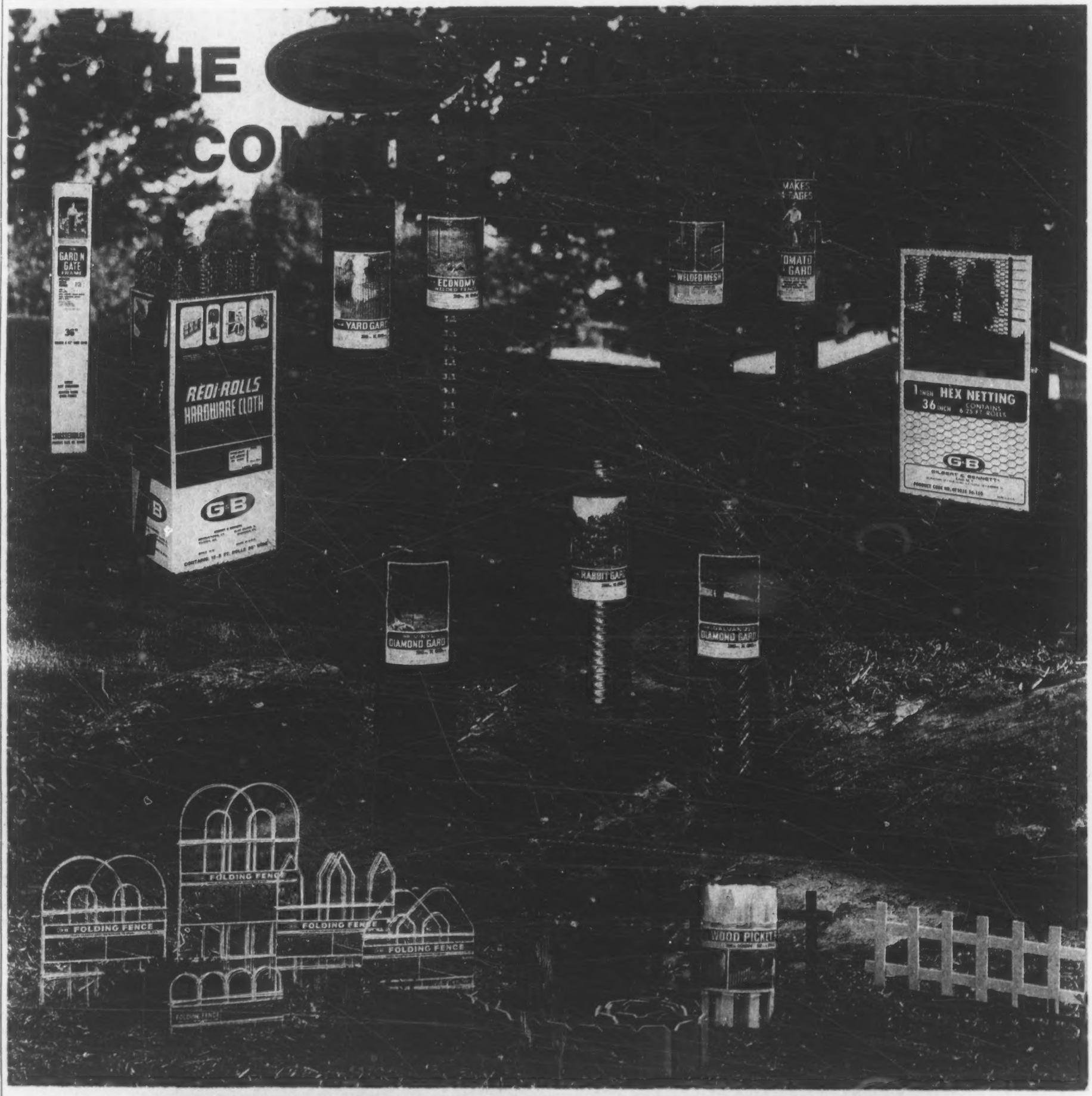
Michigan General narrows 2Q losses

SADDLE BROOK, N.J. — Michigan General, parent company of Diamond Lumber, reported revenues of $120 million for the quarter that ended June 30. That was up slightly over the same quarter of 1985.

Losses for the quarter came to $2.6 million, compared with losses of $12.7 million for the second quarter of 1985.

The company also reported that its stock offering of 6,523,642 shares had increased its stockholders' equity by approximately $18.8 million.

The company also revealed that it had obtained additional long-term debt in the form of a $10 million loan, collateralized by real estate.



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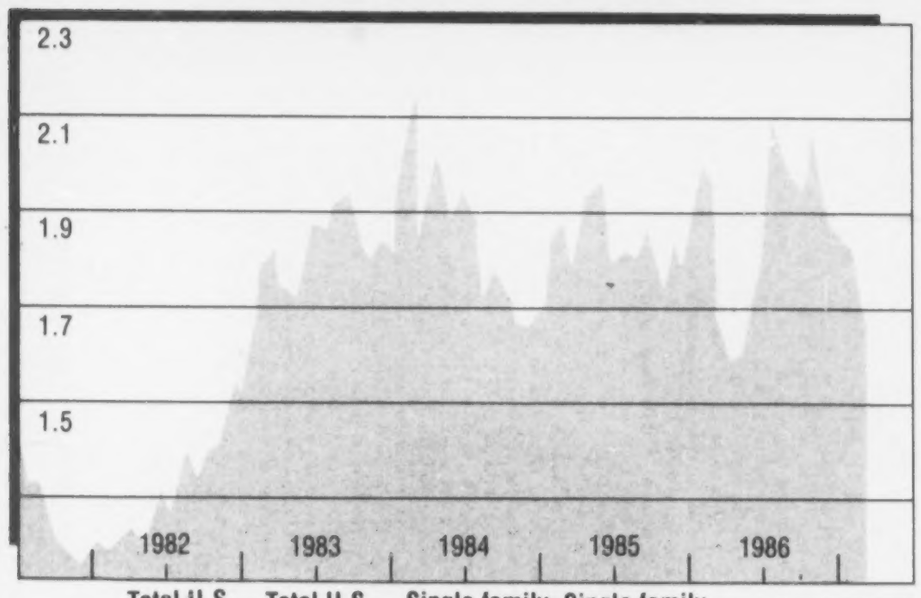
HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

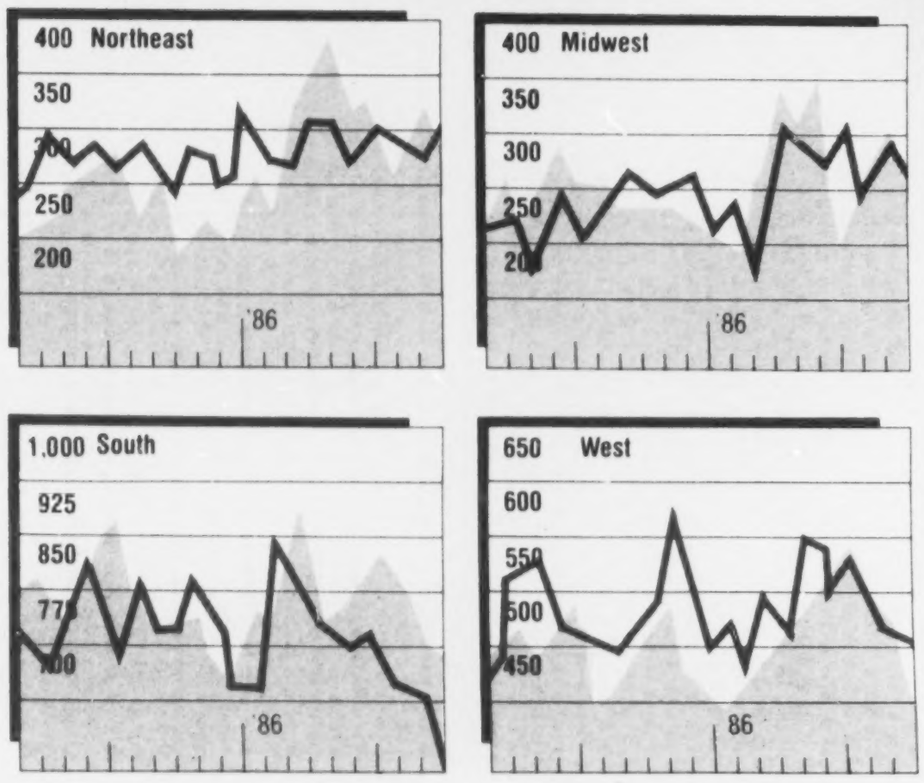


	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
Sept. '86	1,680	1,613	1,116	1,054
Aug. '86	1,818	1,673	1,199	1,039
Sept. '85	1,653	1,846	1,006	956

Source: U.S. Commerce Department

Key: Starts, Permits

Regional housing starts and permits
(in thousands)



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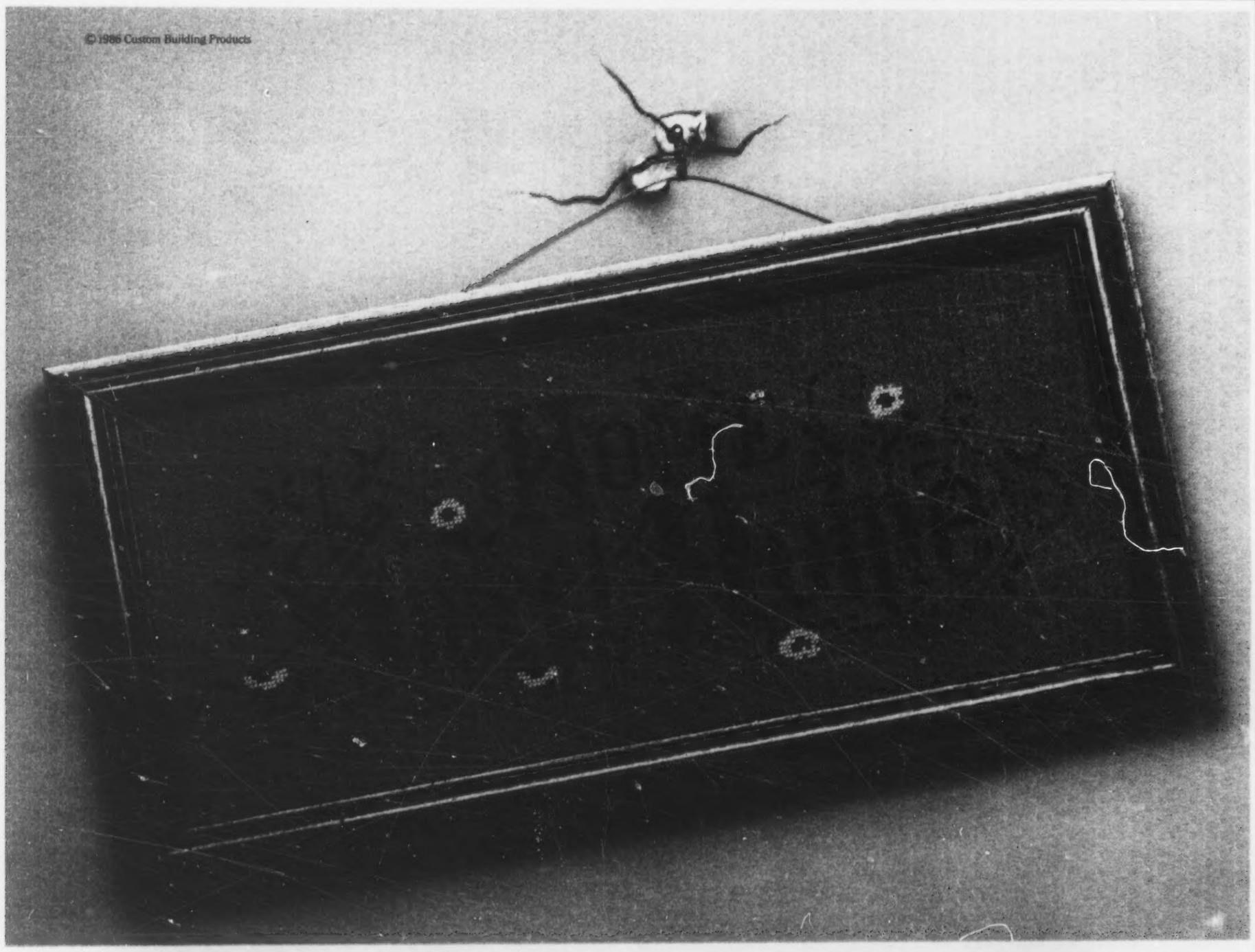

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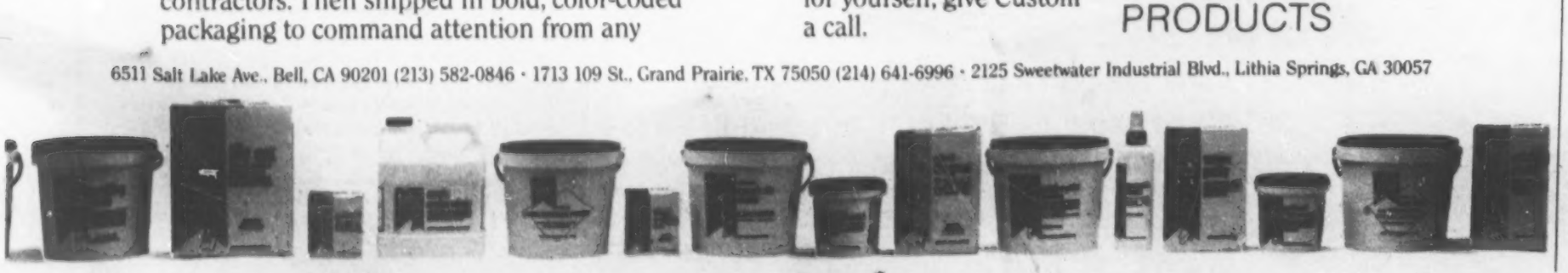

Housing starts down 7.6% for September

By an NHCN staff editor

NATIONAL REPORT — Housing starts fell to their lowest level in a year in September, down 7.6% to a seasonally adjusted 1.68 million units, according to the U.S. Commerce Department.

And housing permits, a barometer of future housing activity, hit its lowest point in almost two years, falling 3.6% to 1.613 million units.

Despite this, Dean Crist, research economist with the National Association of Home Builders (NAHB), said the decline was expected.

The NAHB is still projecting starts to total 1.84 million units this year, 1.2 million of which will be in single-family residences. With just three months left before the end of the year, Crist said 269,000 single-family homes need to be constructed to make the 1.2 million target, and 146,000 more multifamily structures need to be built to meet its 640,000-unit projection. Both numbers are attainable, he said.

While total starts fell in September, activity was still 1.6% ahead of September 1985. And single-family starts were 11% above last year's pace. Total housing permits were down nearly 13% from September 1985 but single-family permits were up 10% in the same period, the Commerce Department said.

Housing activity remains strongest in the Northeast, where starts were 20% above the level set in September 1985. But in the monthly recording period of August/September, starts fell 15% to an annualized 282,000 units. Permits in this region rose 11% from August, to 302,000 units, seasonally adjusted, 25% above its September 1985 level.

Starts were down 11% in the Midwest in September, to an annualized 269,000 units, but were still 16% above its September 1985 level. Permits were 13% above their last year's pace, but fell 11% from August, to an annualized 258,000 units.

Housing starts in the West fell 9% in September to 433,000 units, seasonally adjusted, 6% below its September 1985 level. Permits fell 1% from August to 455,000 units, which was a 26% decline from last September.

The South posted a 1% decline in housing starts in September, to 696,000 units, seasonally adjusted, which was a 4% decline from a year ago. Permit activity fell 8%, to 598,000 units, a 21% drop from the same time last year.

Regional Housing
(in thousands)

	Sept. '86 starts	% chg.	Sept. '86 permits	% chg.
Northeast	282	−15	302	+11
West	433	− 9	455	− 1
South	696	− 1	598	− 8
Midwest	269	−11	258	−11

Source: U.S. Commerce Department

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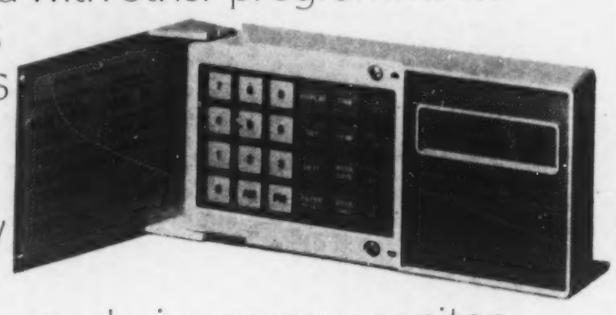

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LUMBER REPORT

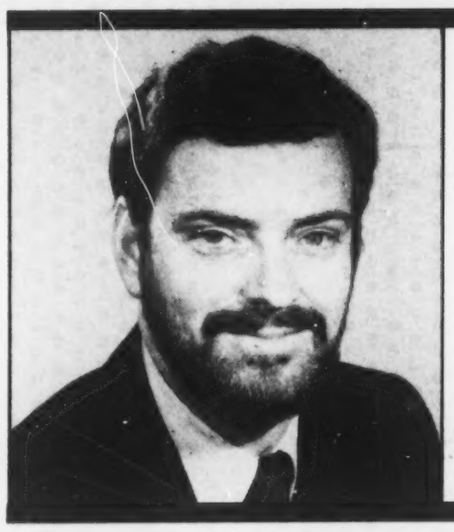
Buyers market shapes up for '87 after strike, tarriff fear subsides

By Hawk Furman
Special to NHCN

Industry experts see a lessening of demand for softwood lumber products in 1987. It is estimated that 46.1 billion bd. ft. of lumber and 24.5 billion sq. ft. of panelboard products will be consumed in the U.S. in 1986.

The Western Wood Products Association (WWPA) predicts consumption of lumber will drop 44 billion bd. ft. in 1987, down 3% from 1986. The American Plywood Association (APA) sees demand for panels in the new residential construction market to decline by over 5% in 1987 from 1986 levels although they predict overall pane demand to be up 0.6% from 24.5 billion sq. ft. to 24.747 billion sq. ft.

H.A. Roberts, president of WWPA, projects housing starts at 1.75 million units in 1987, down from 1.8 million estimated for 1986. The APA also predicts a lessening in housing demand, with multifamily structures dropping from a 675,000 unit rate for the first six months of 1986 to 450,000 starts in 1987.



"It appears that 1987 is shaping up to be another buyers' market. The strikes should be settled, the tariff nervousness behind and production will be at full steam."
—Hawk Furman

"There should be very little worry about softwood lumber and panel supply this coming year unless a large number of manufacturers close down, or there are extended strikes."
—Hawk Furman

The reasons given for the reduction are tax reform and high vacancy rates. WWPA predicts that residential construction will consume 17.28 billion bd. ft. of lumber in 1986 and drop to 16.945 billion bd. ft. in 1987. Lumber used in repair and remodeling (residential and nonresidential), will drop to 12.295 billion bd. ft. in 1987 from 12.915 billion bd. ft. in 1986.

There should be very little worry about softwood lumber and panel supply this coming year unless a large number of manufacturers close down, or there are extended strikes.

Mills in Canada and the U.S. continue to streamline and get more efficient. Mills on the West Coast hit a single-week production high of 427 million bd. ft. on the week ended Sept. 20. And according to WWPA, Western U.S. lumber production is up 10% for the first nine months of 1986 over the same period in 1985.

Canadian imports of lumber increased 6.5% over 1985 for the first seven months, but crippling strikes have taken enough production off the market that estimated total Canadian imports of lumber to the U.S. will show just a 3.5% gain for the entire year.

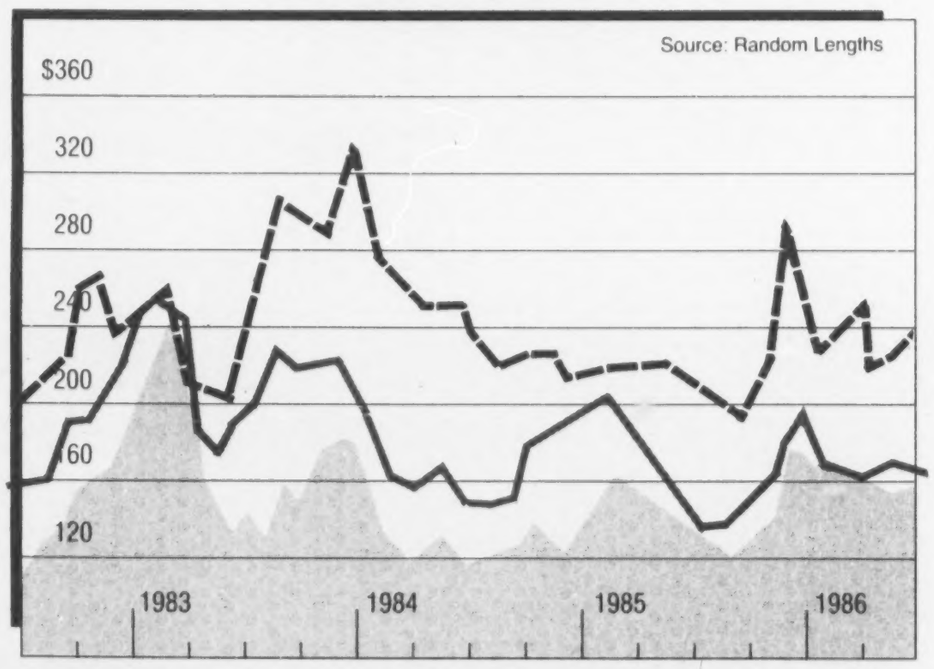
There can be little doubt that when the strike ends, production will pour forth again from Canada into the U.S.

Panelboard production should increase with the implementation of new techniques and equipment. There are at least seven new waferboard/Oriented Strand Board mills scheduled to start up in 1987. The waferboard industry has also come up with new resins that set faster and result in spectacular increases in production.

Therefore, it appears that 1987 is shaping up to be another buyers' market in lumber and panelboard. The strikes should be settled, the tariff nervousness behind the industry and production will be at full steam.

Commodity close-up

Studs and Boards
Average mill monthly prices



Price points for studs and boards have been topsy-turvey during the first two months of the third quarter. Ponderosa pine #3 1x12 rose from a July trading price of $235 per thousand board feet, then dropped $2 in August before hitting $239 in September. KD Southern pine (Western) 2x4 studs slid from $170 per thousand board feet in July to $161 in September.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended 10/9

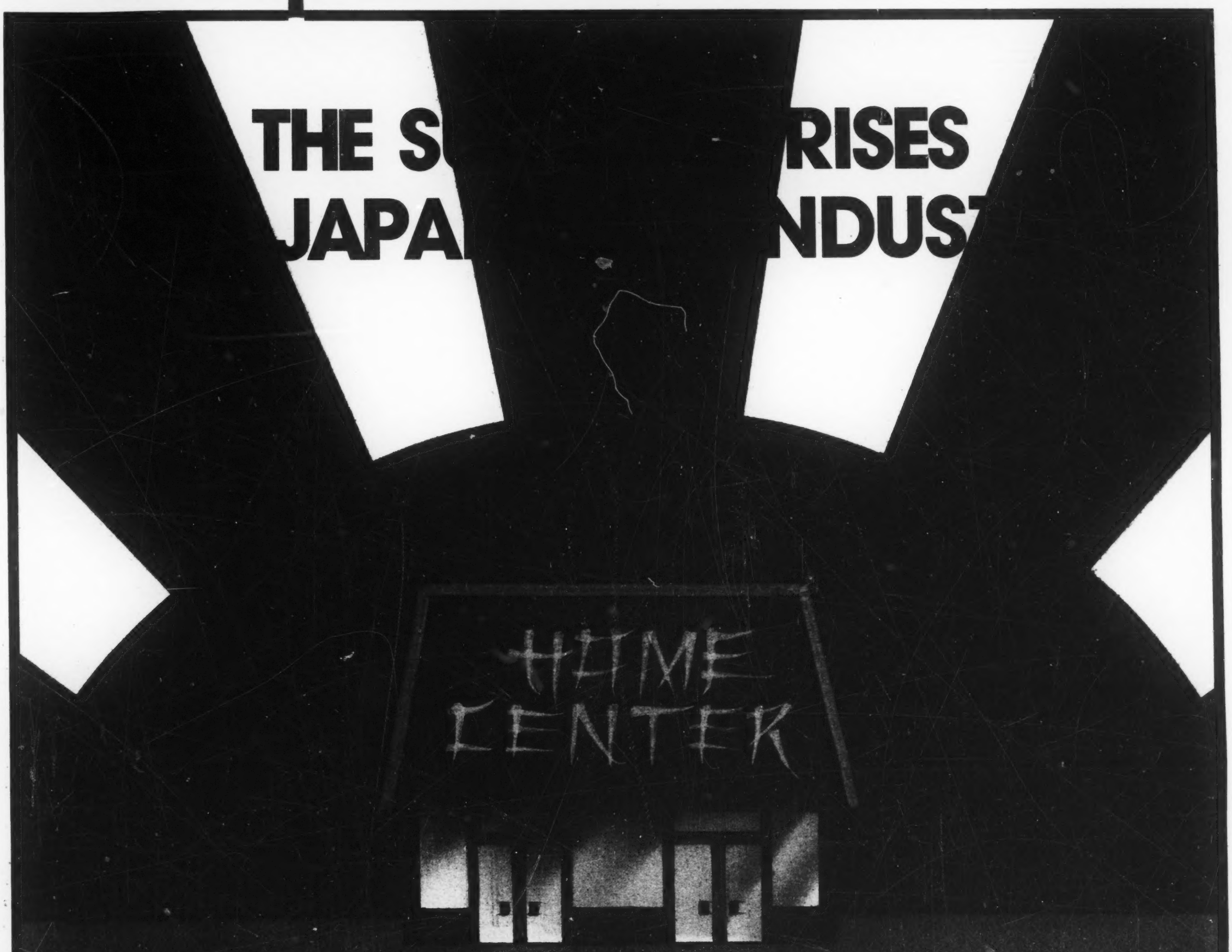
	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Nov.	$172.90	$164.10	$165.90	$168.20	2,719	$186.90	$146.00
Jan. '87	$169.50	$161.90	$163.80	$165.50	1,662	$182.00	$150.00
March	$169.90	$163.50	$164.50	$166.50	538	$180.50	$153.00
May	$170.00	$164.80	$164.50	$167.80	151	$179.00	$155.50
July	$170.00	$166.50	$166.00	$167.80	33	$177.50	$155.10
Sept.	$170.00	$167.50	$167.20	$168.50	20	$177.90	$163.50
Nov.	$169.00	$166.50	$166.50	$166.50	6	$169.00	$161.40

Total Contract Vol. (Through10/9): 11,654 **Previous Two Weeks: 17,044**
Total Open Interest (As of 10/9): 5,129 **Previous Week: 4,798**
Cash Price: $180.32 **Previous Week: $181.30** **Year Ago: $145.04**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 10/9
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

National Home Center News • Section Two

Perspectives



By Phillip M. Perry
NHCN Staff Writer

Consumer interest in Japan's growing do-it-yourself movement has prompted some American home center chains to look to Japan as a market where they can expand. But one look at Japan's home center industry should be enough to tell them that there is some improvement needed.

The Japanese home center industry has come a small way in the nearly 1970's. When visitors from that country saw some of the new home center concepts being introduced in the United States.

It's ironic though, given the way Japan has patterned its home centers after American ones, that its stores still differ so much from the ones in the United States.

Japanese home centers are often smaller than American ones. They handle less lumber. And they load their shelves with stationery, toys, sundries, and other items.

"Americans often say our home centers look like small K mart stores," said Yasuhiro Ishihara, president of the Specialty Institute, a consulting outfit based in Tokyo. "Japanese home centers represent something of a mix between home centers and discount stores."

Ishihara joined a group of Japanese home center executives to discuss the market in that nation, at a conference held earlier this summer in Washington. The conference was sponsored by inter-Pacific Networks, Los Angeles.

The average Japanese home center, noted Ishihara, has 15,000 sq. ft. of selling area. There are relatively few larger ones, and even those usually go up to only 35,000 sq. ft.

In contrast, American home centers operated by the top 150 companies average 23,000 sq. ft. Even warehouse stores can run as high as 90,000 to 100,000 sq. ft.

Lumber, plywood, and other DIY items make up only 10% to 20% of the merchandise in the Japanese home center, said Ishihara. Paints and garden tools comprise from 8% to 12%. Interiors such as floor coverings, cushions and rugs comprise the third largest category. Secondary categories include sundries, home appliances, auto parts and accessories, stationery, toys and tools.

Part of the reason why Japanese home centers carry such a diversity of items is that super drug stores and discount stores—typically serving as large draws for American shopping malls—never came into existence in Japan. In that nation, home centers have become the most common magnets for shopping centers. As a result, they carry much of the merchandise Americans see in other stores.

As for the lack of a strong presence in lumber and other commodities that go into project sales, the primary reason seems to be the nature of the Japanese house.

The typical Japanese house, said Ishihara, is very small and has a limited backyard. And the lack of sufficient land for expansion—a condition made worse by the mountainous terrain that characterizes much of the nation—means more of the country's housing is taking the form of apartment buildings, commonly from 4 to 10 stories high.

"The difference in the housing causes a difference between the methods of do-it-yourselfers in the U.S. and Japan," said Ishihara.

Japanese DIYers tend to concentrate on smaller repair projects. Some 50% of home center customers there are shopping for small items to perform repairs such as fixing leaky faucets.

One of the most popular DIY projects is the window garden. "Even if the Japanese home is so small it has no backyard, the homeowners will still set up window gardens," said Michimasa Iizuka, president of Juntendo, an $89 million chain of 72 stores based in Shimane, Japan.

When heavier duty remodeling of kitchens and baths is needed, homeowners generally hire specialists to do the work.

Specialists generally don't shop at home centers, but patronize smaller mom-and-pop stores that stock merchandise for larger projects. Tadashi Okamoto, senior vp of Keiyo Home Centers, a chain of 42 stores based in Chiba-Ken, Japan, estimated 90% of the traffic in Japanese home center stores represent amateurs, while the remainder are painters, plumbers and other professionals.

"With home centers getting bigger in size in Japan, contractors may want to start going there," noted Iizuka of Juntendo. But government regulations protect the small mom-and-pop specialty stores that have traditionally catered to the Japanese craftsman who has played such a dominant role in Japanese history. If a home center chain wants to build a store larger than 5,340 sq. ft., the company must visit the smaller stores in the market area and obtain permission, not unlike similar protections existing in some European nations.

This legal protection of the mom-and-pop stores is often cited as the number one stumbling block to growth of the home center indus-

(Continued on page 23)

Perspectives

cover story

Japan looks to U.S. for home center acumen

(Continued from page 21)
ry. "It takes from four to five years to establish a larger store," said Ishihara.

In any event, the Japanese home center industry is much smaller than its American counterpart. The Specialty Institute said that, as of the end of October of last year, there were 496 Japanese home center companies running 1,500 stores, with total sales of only $7.4 billion, slightly smaller than Canada's.

In contrast, in the U.S. the home center, hardware and lumberyard industry has been pegged at $65 billion annually. The top 150 companies operated 4,474 stores and did $20.6 billion in volume last year.

The largest American home center chain, Lowe's, did $2.1 billion in sales last year. In contrast, the largest Japanese home center chain, Viva, does roughly 15% of that volume.

Japanese home centers are much more dependent on wholesalers than in the U.S.

That's true generally of most of the 1.7 million mom-and-pop shops in all retail fields in that nation, according to Japanese visitors to the conference.

To date, there has been no effort to set up the network of co-ops that has arisen in the United States and which has taken so much business from the traditional wholesalers.

Wholesalers have been able to maintain their dominance in Japan largely because they will accept returns of merchandise, and also because they will accept promissory notes for payments. That helps the retailer's cash flow, since in many cases by the time the retailer must pay the wholesaler, the customer has already bought the merchandise.

While some wholesalers have fallen on hard times in the United States, the traditions of the Japanese culture help maintain the status quo. Japanese business people consider it their obligation to consider the position of their fellow business people.

As a result, retailers and wholesalers in Japan tend to work together to solve one another's problems. A wholesaler might hesitate to give large retailers any deal that might hurt smaller retailers. Likewise, retailers are apt to support a long-time wholesaler who falls on temporary hard times.

Yet, when one digs deeper, one finds both nations share a common set of conditions that seem to be driving the home center industries of both lands closer together, so that in years to come they may look very much alike.

Japanese executives reflected on some of the forces changing the retail scene in both nations.

For example, in both nations the home center business has been fostered since World War II by the rise of highways. "When I first visited the American home center market 20 years ago, what impressed me the most was the network of highways," said Okamoto of Keiyo Home Centers. "Now, Japanese highways have improved and that has had an enormous impact on our economic scene."

With the expanded road network has come some of the same head-to-head competition seen in the United States. In one town, four home centers, each with 16,000-sq.-ft. showrooms, have opened on the same street.

And the middle class has become stronger in both lands, so that there is more of a demand for fixing up homes. From the business point of view the Japanese share such American concerns as the presence of conglomerates trying to muscle into the field, the rise of specialization in the various home centers and the head-to-head competition among new stores in some markets.

An example of this first point finds two large general merchant companies—Daiei and Seiyu, both based in Tokyo—having entered the home center field several years ago. The first opened a single store and the second opened three. But to date they haven't expanded.

Some Japanese observers also feel that the home center field in Japan takes just as much of the specialized expertise as it does in the U.S.

Okamoto of Keiyo Home Centers was approached recently by government officials who were trying to find jobs for a large number of employees being laid off from the railroads.

"They said they wanted to run home center companies," recalled Okamoto. "I told them not to do it, because they would never make it."

Ishihara of the Specialty Institute has forecast that home centers in Japan will take three directions in the future.

One set of home centers will start to look like the American super drug stores, carrying a selection of fix-it-up items.

A second group will look like American discount stores, with merchandise such as wallpaper and carpeting for remodeling projects of medium difficulty.

A third group will look like the traditional American home centers, with merchandise for heavier duty remodeling projects, although Japan will probably never see the broad selection of lumber seen in the United States.

Japan's DIY Industry at a Glance

	1985	1984	1983	1982
Stores (US equiv.)	2,500	2,357	2,277	2,225
Selling area (sq. ft.)				
Indoor	10,581	10,660	11,802	11,665
Outdoor	4,484	4,444	5,771	5,724
Sales per sq. ft. ($)	338.50	329.78	328.56	317.50
Employees per store				
Full time	12.7	12.4	11.2	12.1
Part time	7.1	7.8	7.2	7.0
Inventory turns	4.48	4.52	5.00	5.06
Gross profit	25.27%	25.07%	26.40%	26.34%
Shrinkage	1.43%	1.53%	1.70%	1.51%
Personnel expense	10.5%	9.51%	8.95%	8.03%
Advertising expense	3.07%	3.19%	3.24%	3.30%
Profit before taxes	3.40%	3.10%	3.78%	3.49%

Source: Inter-Pacific Networks NHCN chart

Faced with rising personnel expense, Japanese home centers have pulled more sales out of existing floor space to keep their pretax income from shrinking.

Japanese biz trends parallel United States

Like their American counterparts, Japanese home center companies are:

- Boosting store productivity.
- Experiencing greater personnel costs.
- Taking a more serious look at computer systems.

These trends are evident in a survey of 494 retailers undertaken by a trade group called the Japan Home Center Association, Tokyo. Its results have been collected into a new English language report released by Inter-Pacific Networks, a Los Angeles company that arranges international tours for business people.

Between 1982 and 1985, the average sales per store increased from $4.45 million to $4.90 million, according to the report.

This phenomenon was accomplished as sales per square foot increased to $382.74 from $317.50.

(Continued on page 26)

Kahma is dominant in and around Nagoya City, Japan's third largest metropolitan area. The company's positive results have been attributed to the introduction of information systems and other innovations.

Keiyo is based in Tokyo, Japan's largest market, operates 40 stores and is planning rapid expansion.

Courtesy Chain Store Age News, Tokyo

The Top 30 Japanese Home Center Chains

Rank '84	Rank '85	Company Name	Sales (in Millions $)	Stores
1	1	Viva Home	$302.5	38
2	2	I Seyo	250.0	50
3	3	Kahma	220.6	24
4	4	Keyio	205.0	39
5	5	Tokyo Handy	200.0	8
6	6	Joyful Honda	159.4	5
7	7	I world	150.0	8
8	8	Hinode	104.4	15
9	9	Deiei	96.9	7
10	10	Hicho	93.8	7
11	11	Isiguro Shoten	91.3	13
12	12	Sunday	89.4	20
15	13	Yuasco	86.9	10
12	14	Juntendo	86.3	80
16	15	Kenseki	83.8	15
18	16	Komatsu	83.1	14
14	17	Shoko	79.5	8
—	18	Oasi	76.3	4
21	19	Cainz	71.5	10
17	20	Kyoei	70.6	24
20	21	Kohki	68.1	13
23	22	Nishi	66.9	16
22	23	Mr. Max	63.1	11
24	24	Ito	58.3	11
25	25	Ito	51.3	10
28	26	Ito	47.5	14
27	27	Ito	46.6	8
26	28	Ito	45.6	10
29	29	Ito	41.5	1
30	30	Ito	41.5	12

With $302.5 million in annual revenues, Viva Home is the largest home center chain in Japan.

Perspectives

cover story

Joyful Honda is one of Japan's original DIY stores and has five locations.

Courtesy Chain Store Age News, Tokyo

Japanese business trends parallel U.S. industry

(Continued from page 23)

Inventory turnover has also increased over the same period, to 6.09 from 5.96.

Personnel expense has gone up dramatically, from 8.03% of revenues in 1982 to 10.51% in 1985.

Margins drop, profits hold

Market pressure seems to have also impacted the stores. Gross margin has decreased from 26.34% in 1982 to 25.57% in 1985.

"Our goal is to determine how to maintain low cost and bring down the break-even point," said Tadashi Okamoto, senior vp of Keiyo Home Centers, Chiba-Ken, Japan.

Despite the increases in personnel expense and softening of margins, the companies seem to have been able to maintain a pretax profit margin of 3.40% in 1985. That was the same as the amount reported for 1982.

Part of this was achieved because the industry cut back on advertising expenses, from 3.30% of revenues in 1982 to 3.0% four years later. It remains to be seen whether that will bring about problems for the industry down the road, in terms of softened sales.

Further pressure on profitability may arrive soon, however, as the Japanese take on new computer equipment.

Computerization still new

About half of the companies responding to the survey said a new data processing system was under review. Only 7.6% said that a system had already been implemented.

"In the area of retail systems, Japanese home centers don't enjoy what general retailers have," said Okamoto. "But it's expected this area will see significant improvement over the next three to four years."

Japanese, U.S. execs speak out for world peace

By an NHCN staff editor

WASHINGTON, D.C. — Peace! Not violence!

That was one message stressed by home center executives at the Inter-Pacific Conference here.

"Hand guns are available in almost every home center and hardware store in America," announced S. Ross Hechinger, senior vp distribution of Hechinger Co., as he spoke to the Japanese guests.

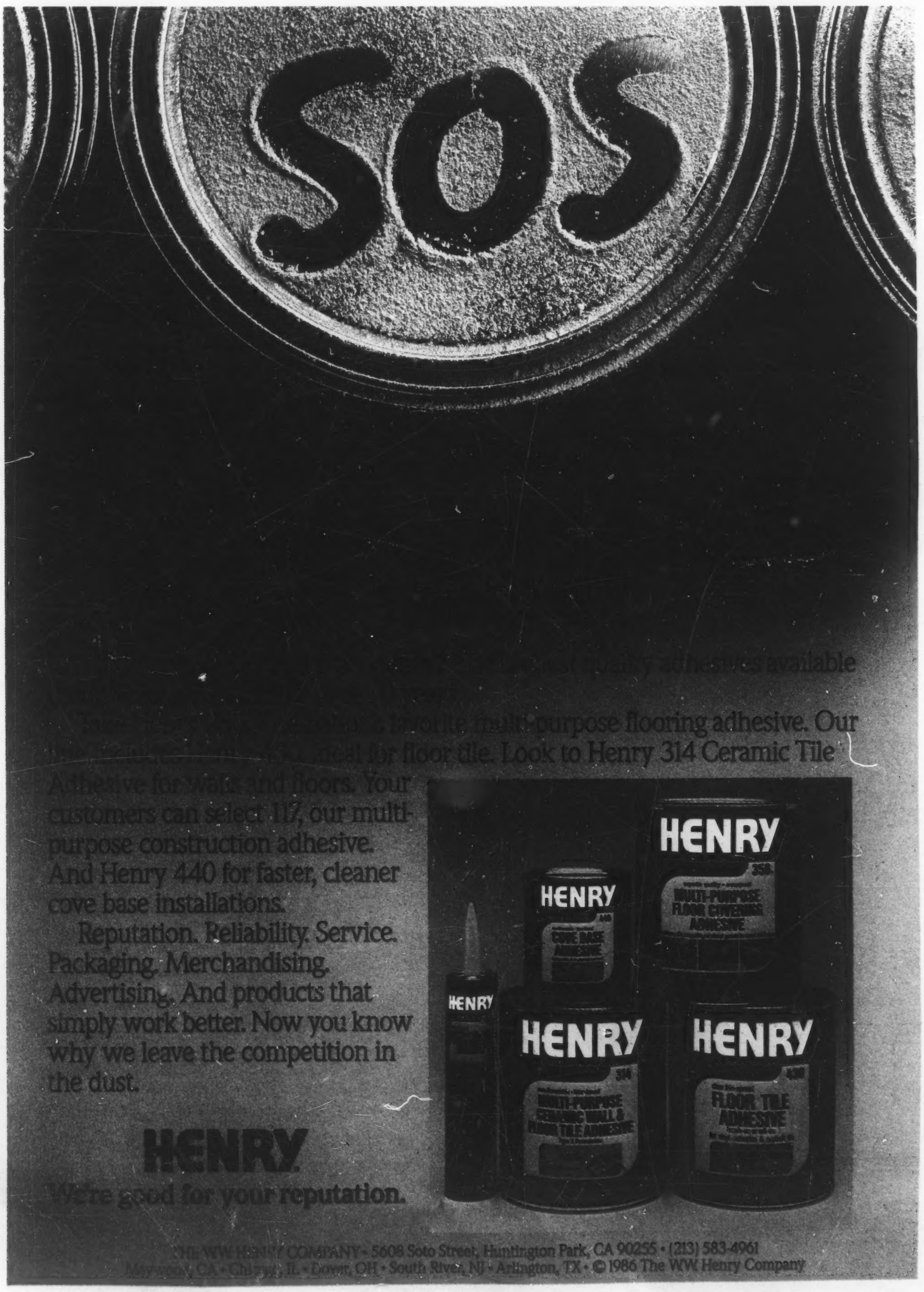
That information must surely have surprised other American home center operators at the conference. But Hechinger insisted his company was a rare exception. "Hechinger refuses to add to urban violence, so we do not sell handguns," he said.

Tadashi Okamoto, co-chairman of Keiyo Home Centers, Chiba City, Japan, took the theme of tranquillity above street level into a global environment. He claimed an era of peace was needed for the home center industry to prosper.

"We look upon war as the primary enemy of the retail business," he said.

Cliff Oxford, vp-investor relations for Lowe's, North Wilkesboro, N.C., had the last word on the subject as he lent both support and caution to the call for peace.

"As my colleague said, we should have peace, not war," said Oxford. "But we, too, have had kamikaze operators in our business."


SOS
Adhesive for walls and floors. Your
customers can select 117, our multi-
purpose construction adhesive.
And Henry 440 for faster, cleaner
cove base installations.
Reputation. Reliability. Service.
Packaging. Merchandising.
Advertising. And products that
simply work better. Now you know
why we leave the competition in
the dust.
HENRY.
We're good for your reputation.
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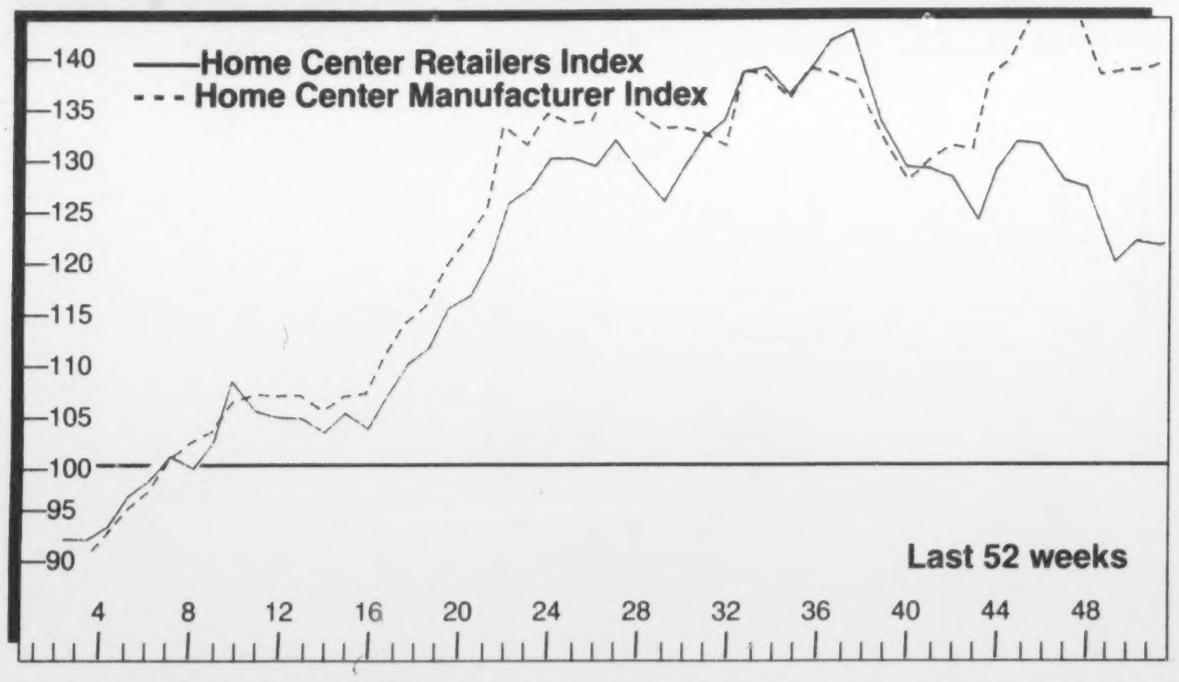
FINANCIAL NEWS

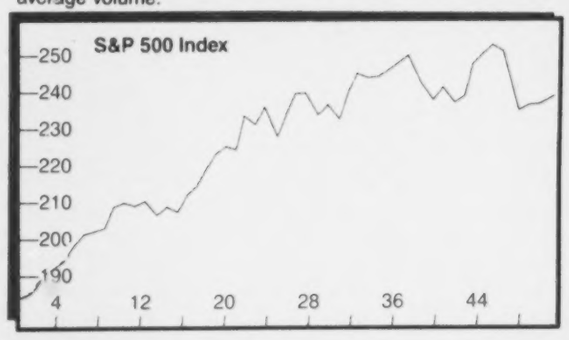


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-3-86	(100)	%	%
Supermkts Gen ..... N	13,463	293.3	7.6
Handyman ..... A	719	253.2	6.4
Forest City Ent ..... A	116	200.0	8.2
Champ Intl ..... N	53,763	195.9	7.6
La Pacific ..... N	12,665	172.2	6.0
Thos Inds ..... N	1,979	171.6	2.0
Weyerhaeuser ..... N	42,059	146.6	7.8
Emhart Corp ..... N	6,002	131.8	2.0
Grace W R ..... N	17,859	127.5	6.1
Masco Corp ..... N	27,913	127.4	9.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 10-17-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Am Woodmark ..... M	12.75	17.2	525
Hechinger A ..... M	19.00	16.9	4,051
Newell Co ..... N	28.75	15.0	1,848
Am Standard ..... N	43.25	12.3	10,184
Pope & Talbot ..... N	22.00	10.7	995
Mor-Flo Inds ..... M	13.50	10.2	122
Masco Corp ..... N	26.38	9.9	27,913
Wolohan Lumber ..... M	8.63	9.5	1,419
Erb Lumber ..... M	17.25	9.5	319
Black & Decker ..... N	17.63	9.3	24,600
Losers	**$**	**%**	**(100)**
Svc Merchandise ..... M	9.63	- 14.4	23,754
Std Brd Pnt ..... N	23.63	- 8.7	5,103
USG Corp ..... N	37.88	- 7.9	32,959
Stanline Inc ..... M	9.50	- 7.3	182
Scotty's Inc ..... N	13.00	- 6.3	1,209
Mich General ..... A	1.88	- 6.3	1,728
Ply-Gem ..... A	10.50	- 4.5	1,612
Lewis Palmer ..... M	8.63	- 4.2	642
Waxman Ind ..... M	13.25	- 3.6	471
Zayre Corp ..... N	21.25	- 2.9	30,344

National Home Center News

HOME CENTER MARKET SUMMARY

Stock Market

Price

Company and Market	2-Weeks Ended 10-17-86	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low
-	$	$	%	$	$	$	$
Retailers							
Color Tile ..... M	31.25	.00	.0	31.50	31.25	31.38	18.50
Erb Lumber ..... M	17.25	1.50	9.5	17.50	15.50	19.25	6.13
Forest City Ent ..... A	31.25	2.38	8.2	31.25	29.00	33.50	22.00
Grace W R ..... N	49.75	2.88	6.1	52.75	46.13	60.75	35.50
Handyman ..... A	47.63	2.88	6.4	47.63	43.13	47.63	23.00
Hechinger A ..... M	19.00	2.75	16.9	19.25	16.00	23.59	13.59
Hechinger B ..... M	18.75	.00	.0	20.25	18.75	23.59	14.00
Home Depot ..... N	17.13	.25	1.5	17.63	16.63	21.75	10.50
INTERCO Inc ..... N	42.13	1.88	4.7	42.25	40.13	47.63	32.13
K mart Cp ..... N	47.75	1.13	2.4	48.13	44.13	57.38	31.50
Lowe's Cos ..... N	24.13	.13	.5	25.00	23.25	41.50	22.00
Mich General ..... A	1.88	- .13	- 6.3	2.25	1.75	5.25	1.63
Natl Hardgoods ..... M	8.50	.00	.0	8.50	8.25	9.31	5.00
Natl Lumber ..... M	5.00	.00	.0	5.50	5.00	7.00	4.00
Pay N Pak ..... N	11.25	.75	7.1	11.50	10.13	19.38	9.50
Payless Cash ..... N	17.38	.25	1.5	18.38	16.88	27.50	13.50
Scotty's Inc ..... N	13.00	- .88	- 6.3	14.25	12.63	18.13	12.50
Sears, Roebuck ..... N	42.88	1.75	4.3	43.25	40.50	50.38	33.13
Svc Merchandise ..... M	9.63	- 1.63	- 14.4	11.00	9.50	15.00	8.25
Std Brd Pnt ..... N	23.63	- 2.25	- 8.7	26.13	23.50	27.00	19.13
Supermkts Gen ..... N	30.13	2.13	7.6	31.50	28.00	32.25	21.00
Wickes Cos ..... A	4.38	.13	2.9	4.50	4.00	7.00	4.00
Wolohan Lumber ..... M	8.63	.75	9.5	8.88	7.88	10.75	5.25
Zayre Corp ..... N	21.25	- .63	- 2.9	22.50	20.75	43.88	20.75
Wholesalers							
Lewis Palmer ..... M	8.63	- .38	- 4.2	9.00	8.63	9.88	6.75
Stanline Inc ..... M	9.50	- .75	- 7.3	10.50	9.50	12.75	6.25
Manufacturers							
Allegheny Int ..... N	18.75	- .38	- 2.0	19.50	15.88	27.50	11.38
Am Standard ..... N	43.25	4.75	12.3	43.25	38.50	46.88	29.63
Am Woodmark ..... M	12.75	1.88	17.2	12.75	10.88	14.75	10.00
Armstrng Wrld ..... N	54.63	.63	1.2	55.25	52.25	69.88	34.88
Black & Decker ..... N	17.63	1.50	9.3	18.00	15.63	25.25	14.50
Boise Cascade ..... N	59.00	.63	1.1	60.38	57.50	61.50	39.63
Certain-teed ..... N	30.50	.63	2.1	31.50	28.75	38.50	22.63
Champ Intl ..... N	28.25	2.00	7.6	29.25	25.50	29.75	20.25
DeSoto Inc ..... N	37.50	- .38	- 1.0	38.50	37.50	41.38	31.50
Emhart Corp ..... N	32.38	.63	2.0	33.00	31.38	42.63	26.38
Genova ..... M	4.50	.00	.0	4.75	4.38	5.88	4.38
Georgia-Pacific ..... N	39.25	2.38	6.4	39.38	36.00	39.38	20.63
Insilco Corp ..... N	20.00	.25	1.3	21.50	19.63	24.75	16.63
La Pacific ..... N	28.63	1.63	6.0	29.25	26.75	30.13	18.31
Macmillan Bloedel ..... M	28.25	1.75	6.6	28.75	25.75	28.63	12.88
Manville Cp ..... N	2.50	.00	.0	2.63	2.38	8.88	2.00
Masco Corp ..... N	26.38	2.38	9.9	26.50	23.75	34.50	16.31
Mor-Flo Inds ..... M	13.50	1.25	10.2	13.50	12.00	19.25	12.00
Newell Co ..... N	28.75	3.75	15.0	29.00	25.00	36.75	19.00
Owens Corning ..... N	78.63	.63	.8	78.88	77.25	82.50	33.25
Ply-Gem ..... A	10.50	- .50	- 4.5	11.13	10.50	15.50	10.09
Pope & Talbot ..... N	22.00	2.13	10.7	22.38	20.00	24.75	17.25
Potlatch Cp ..... N	58.50	2.00	3.5	58.75	55.25	61.00	34.00
Sherwin-Wms ..... N	24.88	.75	3.1	25.63	23.50	32.25	18.38
SW Forest Ind ..... N	17.00	.75	4.6	17.25	15.50	17.50	9.88
Stanley Works ..... N	25.88	- .38	- 1.4	27.00	24.50	30.84	19.09
Thos Inds ..... N	19.50	.38	2.0	19.75	18.38	26.75	17.13
USG Corp ..... N	37.88	- 3.25	- 7.9	42.00	37.63	46.50	19.25
Walter, Jim ..... N	44.88	1.25	2.9	46.75	40.50	54.63	27.59
Waxman Ind ..... M	13.25	- .50	- 3.6	13.75	13.13	17.13	10.25
Weyerhaeuser ..... N	37.88	2.75	7.8	38.25	34.63	40.25	24.75

Volume

Company and Market	2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change
-	(100)	%	%	%
Retailers				
Color Tile ..... M	1,288	1.36	7.31	- 81.4
Erb Lumber ..... M	319	.95	.58	63.8
Forest City Ent ..... A	116	.15	.05	200.0
Grace W R ..... N	17,859	4.30	1.89	127.5
Handyman ..... A	719	2.79	.79	253.2
Hechinger A ..... M	4,051	3.71	3.69	.5
Hechinger B ..... M	558	.34	.23	47.8
Home Depot ..... N	7,241	2.87	1.69	69.8
INTERCO Inc ..... N	3,991	1.40	1.12	25.0
K mart Cp ..... N	46,248	3.67	2.14	71.5
Lowe's Cos ..... N	6,566	1.68	1.59	5.7
Mich General ..... A	1,728	1.52	1.11	36.9
Natl Hardgoods ..... M	102	.75	.46	63.0
Natl Lumber ..... M	186	.33	.40	- 17.5
Pay N Pak ..... N	2,564	2.56	2.04	25.5
Payless Cash ..... N	10,403	3.00	1.54	94.8
Scotty's Inc ..... N	1,209	.84	.46	82.6
Sears, Roebuck ..... N	49,560	1.36	1.04	30.8
Svc Merchandise ..... M	23,754	7.13	6.27	13.7
Std Brd Pnt ..... N	5,103	4.51	3.11	45.0
Supermkts Gen ..... N	13,463	3.50	.89	293.3
Wickes Cos ..... A	57,903	2.44	1.61	51.6
Wolohan Lumber ..... M	1,419	2.42	1.35	79.3
Zayre Corp ..... N	30,344	5.15	3.84	34.1
Wholesalers				
Lewis Palmer ..... M	642	1.64	1.22	34.4
Stanline Inc ..... M	182	1.13	1.58	- 28.5
Manufacturers				
Allegheny Int ..... N	3,330	3.09	3.55	- 13.0
Am Standard ..... N	10,184	2.71	1.53	77.1
Am Woodmark ..... M	525	.85	1.39	- 38.8
Armstrng Wrld ..... N	5,690	2.36	1.43	65.0
Black & Decker ..... N	24,600	4.24	1.90	123.2
Boise Cascade ..... N	9,954	3.40	2.14	58.9
Certain-teed ..... N	1,013	.53	.73	- 27.4
Champ Intl ..... N	53,763	5.71	1.93	195.9
DeSoto Inc ..... N	650	1.36	.71	91.5
Emhart Corp ..... N	6,002	1.97	.85	131.8
Genova ..... M	62	.16	.28	- 42.9
Georgia-Pacific ..... N	45,561	4.40	2.14	105.6
Insilco Corp ..... N	4,252	2.16	1.14	89.5
La Pacific ..... N	12,665	3.43	1.26	172.2
Macmillan Bloedel ..... M	312	.10	.05	100.0
Manville Cp ..... N	6,076	2.53	1.72	47.1
Masco Corp ..... N	27,913	2.16	.95	127.4
Mor-Flo Inds ..... M	122	.48	.52	- 7.7
Newell Co ..... N	1,848	1.65	1.01	63.4
Owens Corning ..... N	37,661	12.59	13.13	- 4.1
Ply-Gem ..... A	1,612	2.19	1.68	30.4
Pope & Talbot ..... N	995	1.66	.78	112.8
Potlatch Cp ..... N	1,062	.80	.79	1.3
Sherwin-Wms ..... N	6,583	1.46	1.09	33.9
SW Forest Ind ..... N	5,588	5.52	3.25	69.8
Stanley Works ..... N	4,091	.98	.60	63.3
Thos Inds ..... N	1,979	2.20	.81	171.6
USG Corp ..... N	32,959	4.88	2.19	122.8
Walter, Jim ..... N	8,772	3.03	1.97	53.8
Waxman Ind ..... M	471	1.50	1.21	24.0
Weyerhaeuser ..... N	42,059	3.23	1.31	146.6

Financial Update

Company and Market	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																		
Color Tile ..... M	19.8	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber ..... M	9.9	.00	.0	.....	6 mos.	06-86	60.5	13.9	2.2	- 8.3	.67	3.1	95.6	20.4	1.9	- 5.0	.57	3.6
Forest City Ent ..... A	28.4	.30	1.0	.....	6 mos.	07-86	43.3	- 19.1	6.4	88.2	.80	86.0	131.3	3.2	6.6	83.3	.83	84.4
Grace W R ..... N	15.3	2.80	5.6	.....	6 mos.	06-86	1410.5	- 26.1	86.4	108.7	2.06	148.2	2661.0	- 23.7	83.3	8.3	1.98	27.7
Handyman ..... A	20.6	.20	.4	.....	6 mos.	06-86	50.2	- 2.3	2.2	- 12.0	.85	- 14.1	112.8	- .6	2.0	- 60.0	.79	- 60.1
Hechinger A ..... M	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	22.6	.06	.3	.....	6 mos.	07-86	162.1	25.4	8.4	16.7	.27	12.5	299.0	22.6	13.3	20.9	.43	13.2
Home Depot ..... N	27.2	.00	.0	.....	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc ..... N	13.9	1.60	3.8	.....	3 mos.	05-86	579.2	- 1.7	14.4	28.6	.46	27.8	579.2	- 1.7	14.4	28.6	.46	27.8
K mart Cp ..... N	21.0	1.48	3.1	.....	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos ..... N	15.3	.40	1.7	.....	6 mos.	07-86	657.8	10.4	21.2	1.4	.54	- 6.9	1191.8	13.7	32.6	- .6	.85	- 6.6
Mich General ..... A	NE	.00	.0	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods ..... M	19.8	.00a	.0	.....	6 mos.	07-86	10.9	5.8	.4	100.0	.25	25.0	17.4	2.4	.4	33.3	.28	33.3
Natl Lumber ..... M	NE	.00	.0	NEW	*	07-86	NC	NC	NC	NC	NC	NC	73.0	NC	(.7)	NC	(.12)	NC
Pay N Pak ..... N	17.3	.40	3.6	.....	6 mos.	06-86	108.7	20.1	1.1	- 63.3	.11	- 63.3	213.8	23.4	3.4	- 33.3	.34	- 33.3
Payless Cash ..... N	14.1	.16	.9	.....	9 mos.	06-86	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotty's Inc ..... N	15.5	.52	4.0	NEW	3 mos.	09-86	118.7	7.6	1.6	- 42.9	.11	- 45.0	118.7	7.6	1.6	- 42.9	.11	- 45.0
Sears, Roebuck ..... N	12.3	1.76	4.1	.....	6 mos.	06-86	10750.2	9.3	284.9	7.3	.77	6.9	20140.5	8.3	480.2	- 1.8	1.29	- 2.3
Svc Merchandise ..... M	NE	.08	.8	.....	6 mos.	06-86	626.6	14.8	(9.3)	- 100.0	(.27)	- 100.0	1083.7	21.4	(38.5)	NE	(1.15)	NE
Std Brd Pnt ..... N	19.7	.58	2.5	.....	6 mos.	07-86	89.2	- 6.6	4.8	- 11.1	.42	- 12.5	167.0	- 5.3	8.1	- 20.6	.71	- 22.0
Supermkts Gen ..... N	16.7	.28	.9	.....	6 mos.	07-86	1361.4	5.8	19.9	226.2	.52	2.0	2698.7	7.8	32.2	79.9	.86	2.4
Wickes Cos ..... A	16.2	.00	.0	.....	6 mos.	07-86	1111.8	32.4	20.8	114.4	.13	160.0	2106.9	36.3	36.5	748.8	.15	NE
Wolohan Lumber ..... M	12.3	.16	1.9	.....	6 mos.	06-86	55.1	27.0	1.8	38.5	.30	25.0	83.2	25.1	1.7	70.0	.28	55.6
Zayre Corp ..... N	14.1	.32	1.5	.....	6 mos.	07-86	1212.7	35.4	9.0	- 43.8	.15	- 44.4	2257.2	33.9	25.7	- 17.6	.43	- 20.4
Wholesalers																		
Lewis Palmer ..... M	27.8	.28b	3.2	.....	6 mos.	07-86	46.6	24.3	.4	100.0	.12	100.0	80.4	14.0	.5	150.0	.14	133.3
Stanline Inc ..... M	10.8	.28	2.9	.....	9 mos.	07-86	16.4	18.0	.5	66.7	.26	8.3	43.8	5.5	1.1	22.2	.64	- 8.6
Manufacturers																		
Allegheny Int ..... N	NE	.00	.0	.....	6 mos.	06-86	445.7	- 10.5	(1.6)	- 100.0	(.85)	- 100.0	912.9	- 8.9	10.3	- 31.3	(.44)	NE
Am Standard ..... N	8.6	1.60	3.7	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark ..... M	13.0	.00	.0	.....	3 mos.	07-86	28.4	16.9	1.8	63.6	.30	36.4	28.4	16.9	1.8	63.6	.30	36.4
Armstrng Wrld ..... N	12.2	1.44	2.6	.....	6 mos.	06-86	487.0	13.3	33.8	4.6	1.40	4.5	917.9	13.8	56.7	12.9	2.35	12.4
Black & Decker ..... N	26.7	.40	2.3	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade ..... N	20.4	1.90	3.2	NEW	9 mos.	09-86	959.5	2.7	13.3	- 34.5	.38	- 41.5	2821.2	- .8	69.6	- 18.4	2.28	- 19.7
Certain-teed ..... N	10.2	.90	3.0	NEW	9 mos.	09-86	304.5	.1	19.9	8.7	1.04	11.8	845.6	- .3	46.6	8.4	2.45	12.4
Champ Intl ..... N	19.5	.52	1.8	.....	6 mos.	06-86	1096.4	- 31.4	50.5	16.6	.51	21.4	2218.7	- 31.6	72.5	- 16.8	.71	- 16.5
DeSoto Inc ..... N	28.2	1.40	3.7	NEW	9 mos.	09-86	107.7	- 1.4	(3.8)	- 100.0	(.80)	- 100.0	336.0	1.8	3.5	- 69.0	.73	- 69.2
Emhart Corp ..... N	12.0	1.40	4.3	.....	6 mos.	06-86	527.9	17.4	19.8	- 25.8	.67	- 30.2	1037.5	19.3	37.8	- 10.2	1.32	- 13.2
Genova ..... M	10.2	.10	2.2	.....	9 mos.	06-86	14.5	2.1	.7	75.0	.19	111.1	35.9	.0	.9	12.5	.24	20.0
Georgia-Pacific ..... N	25.5	.80	2.0	.....	6 mos.	06-86	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insilco Corp ..... N	14.5	1.00b	5.0	.....	6 mos.	06-86	197.1	- 14.6	11.5	8.5	.57	.0	377.4	- 11.8	18.3	10.2	.91	1.1
La Pacific ..... N	23.3	.80b	2.8	.....	6 mos.	06-86	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedel ..... M	NA	.50b	NA	.....	6 mos.	06-86	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp ..... N	NE	.00	.0	.....	6 mos.	06-86	490.6	- 2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp ..... N	18.7	.36	1.4	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds ..... M	14.8	.01	.1	.....	6 mos.	06-86	48.3	- 9.9	.8	- 52.9	.32	- 53.6	100.7	- 5.0	1.5	- 55.9	.60	- 55.2
Newell Co ..... N	13.6	.70	2.4	.....	6 mos.	06-86	95.1	16.4	5.1	6.3	.46	- 13.2	189.6	17.6	9.2	15.0	.90	2.3
Owens Corning ..... N	16.7	1.40	1.8	.....	6 mos.	06-86	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem ..... A	12.1	.12	1.1	.....	6 mos.	06-86	59.1	38.1	2.4	166.7	.30	100.0	109.7	31.4	4.4	120.0	.56	60.0
Pope & Talbot ..... N	23.2	.80	3.6	.....	6 mos.	06-86	76.1	- 10.7	3.6	89.5	.60	100.0	150.2	- 10.8	3.1	- 24.4	.51	- 23.9
Potlatch Cp ..... N	15.4	1.68	2.9	NEW	9 mos.	09-86	249.9	4.3	16.7	47.8	1.18	81.5	733.1	1.4	49.8	49.5	3.53	82.9
Sherwin-Wms ..... N	14.4	.50	2.0	NEW	9 mos.	09-86	604.1	4.4	32.3	11.0	.70	11.1	1705.1	1.6	69.7	10.1	1.50	8.7
SW Forest Ind ..... N	NE	.00	.0	.....	6 mos.	06-86	158.5	- 11.4	(4.0)	NE	(.25)	NE	301.0	- 13.8	(12.0)	NE	(1.19)	NE
Stanley Works ..... N	13.4	.76	2.9	.....	6 mos.	06-86	402.6	29.1	20.5	6.8	.49	6.5	726.8	23.4	35.2	6.0	.84	3.7
Thos Inds ..... N	12.7	.68b	3.5	NEW	9 mos.	09-86	72.7	- 8.1	2.1	- 57.1	.24	- 57.1	220.6	- 4.9	9.6	- 20.0	1.07	- 20.7
USG Corp ..... N	10.1	1.12	3.0	.....	6 mos.	06-86	752.6	16.6	76.2	23.5	1.15	25.0	1374.7	11.4	127.9	22.7	1.96	25.6
Walter, Jim ..... N	16.9	1.40	3.1	.....	9 mos.	05-86	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind ..... M	14.7	.08	.6	.....	fiscal	06-86	27.7	30.0	1.0	100.0	.32	39.1	97.8	18.3	2.8	27.3	.90	1.1
Weyerhaeuser ..... N	26.3	1.30	3.4	.....	6 mos.	06-86	1497.4	6.9	68.4	14.6	.46	12.2	2804.1	4.8	118.4	20.9	.77	18.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

* Fiscal year change invalidates prior year comparisons.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National
Home Center News
®

Vol. 12, No. 24 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. November 17, 1986

Home Quarters sold to Kossar for $10 mil.

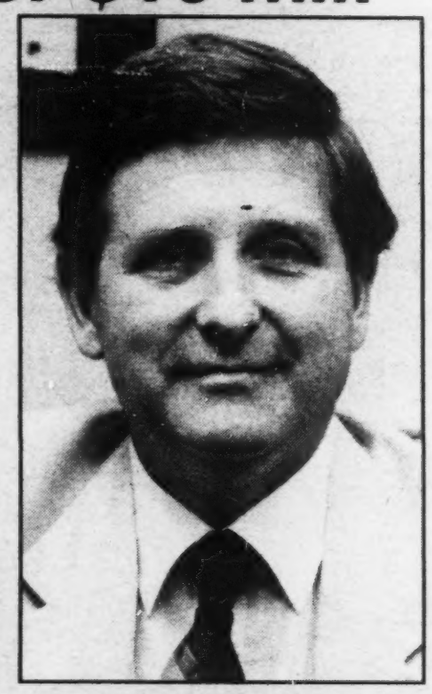
By an NHCN staff editor

NEW YORK — A management investor group led by Bernard R. Kossar, senior vp of W.R. Grace's retail group, has bought that company's four-unit chain, Home Quarters Warehouse (HQ) for more than $10 million.

Kossar will become chairman and ceo of HQ while Frank C. Doczi will continue as president and coo.

The deal ends more than six months of negotiations which, at one time, found Kossar also vying, unsuccessfully as it turned out, for Grace's Central Region, the Chan-

(Continued on page 58)



Frank Doczi, HQ's president, expects expansion pace to quicken. NHCN photo

BMA, Coast to Coast seek merger; cite 'synergy'

By Phillip M. Perry
NHCN staff editor

DENVER — Builder Marts of America (BMA) and Coast to Coast, the sixth and seventh largest dealer buying groups in the nation, are discussing a possible merger.

If the merger goes through as planned, the result will produce a buying group whose sales—just under $900 million—will be the third highest in the country, after Cotter & Co. ($1.7 billion), and Ace Hardware ($1 billion).

"We are expecting to reach a decision shortly, but whether that will be in a matter of days, or weeks I don't know," said Richard Ingram, president of the dealer division of BMA.

Richard Bard, chairman of Coast to Coast, said BMA had approached his firm earlier this year, and serious negotiations had been underway for about a month.

"A merger would provide a great synergy," said Bard. "Coast to Coast is at one end of the spectrum, serving hardware stores in small-town America. BMA is on the other end of the [retail commodities] spectrum."

The merger would bring together two firms with dispa-

(Continued on page 58)

BUILDER MART®

The proposed merger of Coast to Coast and Builder Marts of America would result in the creation of the industry's third largest buying group.

Coast to Coast®

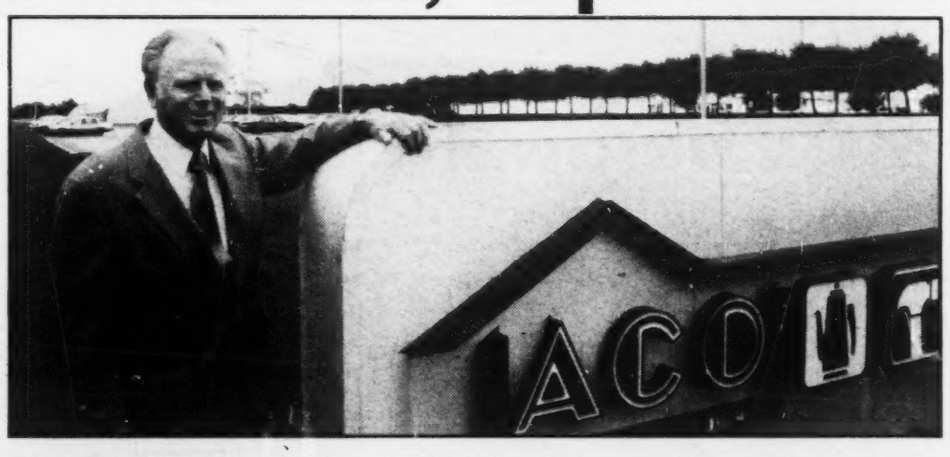
ACO moves to secure its niche with aggressive ads, expansion

By Gary S. Ruderman
NHCN staff editor

FARMINGTON HILLS, Mich. — Since October, the chain that thinks of itself as Michigan's "convenience hardware store" has been on a media blitz.

Throughout a 10-county area of southwestern Michigan, the name and logo of ACO, Inc., has been plastered on billboards, blared from radio spots, seen on TV commer-

(Continued on page 57)



Ted Traskos, chairman, ACO Hardware, in front of corporate sign at chain's Farmington Hills, Mich., headquarters. NHCN photo

Grossman stock trades despite Chap. 11 snag

By John Caulfield
NHCN staff editor

LOS ANGELES — Two investment firms have started taking orders on an "if and when" basis from prospective buyers and sellers for the 25.1% of new common stock, owned by trade creditors, that will be tradeable as soon as Grossman's Inc. emerges from Chapter 11.

But, at least in the short run, it does not appear that a single company, such as the voracious Wickes Cos., would be allowed to gobble up all that stock because of Internal Revenue Service provisions that would deprive the new company of the tax advantages afforded it by

(Continued on page 57)

Lowe's stock soars amid speculation of Wickes grab

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Lowe's stock increased in price by some 26% during a five-day period late last month. The increase was one of the most dramatic this year in the home center industry.

Wall Street sources pegged the rise on rumors that Wickes Cos. was accumulating stock in Lowe's for a possible takeover.

Lowe's stock began rising on the New York Stock Exchange (NYSE) Thursday, Oct. 23, when it went up ⅞ to close at $24.00. Over the next three business days the stock continued to gain, closing at $25.88 on Oct. 28.

It was Wednesday, Oct. 29, when the firm's stock went through the roof, rising $3.25 to close at $29.12. Some 1.2 million shares were traded that day, nearly nine times the company's usual trading volume.

"We have seen nothing that would cause us to make a comment," said Cliff Oxford, investor relations vp for Lowe's. Wickes would not comment on the rumors.

In an Oct. 9 report that discussed unfriendly takeovers, Barbara Alexander, an analyst at Salomon Brothers, noted that when adjusted for its liquidation value, Lowe's stock would be worth over $39 per share.

Bo Cheadle, an analyst at Montgomery Securities, San Francisco, was quoted on the front page of *Investor's Daily* Oct. 30, as saying if Wickes were to take over Lowe's, the price might be in the area of $36 to $45 a share.

When contacted later by *NHCN*, Cheadle said that earlier in the week of the stock's price activity, he heard Wickes might make a bid for Lowe's. Cheadle would not disclose the identity of his source, whom he described as reliable.

"I asked myself first, does Wickes have the ability to do this?" said Cheadle. He noted Wickes has $1.4 billion in a takeover war chest, plus $500 million in borrowing power. The firm also has the ability to divest some $300 million in businesses over the coming months.

Cheadle concluded Wickes has the ability to finance the takeover. If Lowe's were to

(Continued on page 58)

INSIDE

Home center retailers are devising new advertising strategies to reach consumers more effectively
—Page 21

Innovative sundry programs are producing add-on sales and lifting paint department profits
—Page 28

NEWSBREAKS

SOMERVILLE SHIFT. David Cohen will become president and coo of Somerville Lumber on April 1. Cohen, currently vp, will succeed his uncle Harold Cohen who becomes co-chairman of the board with Melvin Cohen, David's father. Melvin Cohen will also serve as ceo.

ORCHARD SUPPLY NAMES PRES. Maynard Jenkins, president and coo of 107-unit Pay'n Save Drug Stores, Seattle, was named president of the 20-unit, San Jose, Calif.-based Wickes division effective Dec. 1, replacing Thomas Thornton who resigned in July.

INDUSTRY UPDATE

K mart streamlines operations

TROY, Mich. — K mart has agreed to sell Furr's Cafeterias and Bishop Buffets to Cavalcade Holdings of Lubbock, Tex., for $237.5 million cash. The company also has decided to sell or close its unprofitable Designer Depot stores, a 79-unit off-price specialty-apparel chain established by K mart in 1982.

"Although these cafeteria operations have been consistently profitable and are expected to show increased 1986 earnings, they do not fit into our corporate growth plans," said Bernard Fauber, chairman. "We believe it is more appropriate to devote our resources to our area of expertise."

K mart views its core business as discount and specialty store retailing. The company operates 83-unit Builders Square stores.

SportsClub makes fall debut

SACRAMENTO, Calif. — A membership warehouse-format sporting goods outlet launched by HomeClub founder Robert McNulty is debuting this fall with four California outlets.

The first two All American SportsClub units opened in Sacramento and Burbank in October. Two more units, in Torrance and San Bernardino, are slated to open in November. A $10.5 million private equity placement is funding the new venture for McNulty, who resigned as ceo of 28-unit HomeClub, a wholly-owned subsidiary of Zayre Corp., in August.

Each SportsClub contains approximately 50,000 sq. ft. to 70,000 sq. ft. of selling space devoted to a broad assortment of sporting goods equipment and apparel.

Stambaugh adds largest unit

YOUNGSTOWN, Ohio — Stambaugh-Thompson, a chain of 20 units, broke ground in Boardman, Ohio, last month for the largest store in its history. Expected to open in the spring, the store has been designed to have a showroom of 50,000 sq. ft. The company operates two stores with 40,000-sq.-ft. showrooms in the Ohio towns of Warren and Zanesville.

Located across the street from the largest store in the Busy Beaver chain, the new store will also have outside sheds for lumber on nine acres of land.

Details about the merchandising of the store were not disclosed. Stambaugh engaged in a drive to renovate and remerchandise the majority of its stores last year (*NHCN*, Nov. 5, 1984).

J.T.'s springs fifth store

NEWPORT, R.I.— J.T.'s Home & Builders Centers opened a new 40,000-sq.-ft. store in Warwick, R.I., on Oct. 24. Francis X. Flaherty, mayor of Warwick, R.I., together with other local digniteries, joined J. Timothy O'Reilly, president and ceo of J.T.'s Home & Builders Centers, for the board-cutting ceremony.

The 10-acre home center complex is an important addition to the five-unit Rhode Island-based company, and was financed through a Rhode Island Industrial Bond issue.

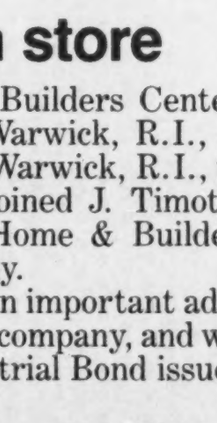
Takeover rumors propel prices

NEW YORK — Takeover rumors propelled the price of two home center stocks as gainers outpaced losers, 32 to 21, during the two weeks ended Oct. 31. Four industry issues were unchanged.

A published report that W.R. Grace & Co., which sold its Home Quarters Warehouse chain, was a takeover target of GAF Corp. sent that conglomerate's stock price soaring 14.6% during the period to $57. Channel, Handy Dan, Handy City and House Works are all that's left of the once formidable Grace home center division.

Lowe's stock rose 13% to $27.25 for the two-week period as analysts suggested Wickes Cos., spurned in its attempts to gobble up National Gypsum and Owens-Corning, has now set its sights on the home center industry's largest chain.

(See financial table, page 56)



If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

1-800-NHC-NEWS

(1-800-642-6397)

Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Payless Cashways acquires Knox Lumber for $28 million

By an NHCN staff editor

ST. PAUL, Minn. — The 10-unit Knox Lumber Company, headquartered here, is officially part of Payless Cashways, Kansas City, Mo.

The $28 million purchase was finalized on Oct. 27. Concurrently, Knox president Richard Miller left the St. Paul-based retailer and was replaced by vp-merchandising, Mike Carver, a 14-year Knox employee who was named general manager and executive vp, according to a Payless Cashways spokesperson.

While Payless did not mention Miller's leaving in its official release on the transaction, Miller confirmed to *NHCN* through a Payless spokesperson that he left Knox of his own accord.

"During the initial negotiations I concluded that I would leave to pursue other interests, and I am delighted to be able to leave Knox on such a positive note. I am confident of the future and strengths of this new partnership. Everyone is a winner," he told *NHCN*.

Miller did not elaborate on the transaction nor did he say what he would do next.

Carver, who did not return phone calls from *NHCN*, now reports to Stan Boyd, senior vp-stores at Payless Cashways, according to a statement issued by the Kansas City-based retailer. In that statement, Carver said the association with Payless will allow Knox to grow.

Knox is scheduled to open its 11th store, the seventh in the Twin Cities area, some time next year.

Knox is being operated as a wholly-owned subsidiary of Payless, now a 182-unit chain.

The Knox purchase culminated a two-month long effort by Payless Cashways to secure Knox, which was purchased last April 23 for $27.5 million from Southwest Forest Industries of Phoenix by an investment group headed by The Sterling Group of Houston.

Last month's announcement that the transaction was completed included no mention of any personnel or operational changes. It did confirm that Jack Walsh, vp-operations, is retaining his position with the St. Paul-based retailer. Payless chairman David Stanley is quoted in the company release as saying that "for the most part, it's business as usual."

Sources inside and outside Knox contacted by *National Home Center News* said they were not surprised Miller left the company or that Carver was named general manager. One store manager said that he learned of the final transaction and Carver's new position from a release which was issued by Payless corporate headquarters.

Erb sheds new light on PK purchase

By an NHCN staff editor

BIRMINGHAM, Mich. — Erb Lumber released additional financial records last month casting new light on its purchase of Peter Kuntz, the $60 million chain of 21 home centers based in Dayton, Ohio.

The new documents show PK had revenues of $59.6 million for the year ended Oct. 31, 1985, up from the $57.4 million for the same period a year earlier.

The heavily competitive Midwest market, however, seemed to have a negative impact on the bottom line of the firm. In 1985, PK's net income of $174,900 reflected a 0.3% net margin. And the previous year the company experienced a $172,200 loss.

Gross margins for PK came to only 23.2% in 1985, up from the 22.8% of the previous year.

Erb paid $25 million for PK. The acquisition was not only the largest in history for Erb, but also represented its initial foray into the state of Ohio with traditional building materials outlets (*NHCN*, June 30). Last year, Erb and Eclipse Industries, St. Louis, entered a joint venture for the construction of DIY Home Warehouse units in Ohio.

Shareholder's equity of PK

(Continued on page 57)

Nat'l Hardware Convention hits Hawaii

By John Caulfield
NHCN staff editor

HONOLULU — The Hawaiian word Oahu translates to mean "the gathering place," and it was on this island that nearly 1,400 hardlines manufacturers and wholesalers gathered last month for the annual National Hardware Convention here. This is the first time this annual event has been held outside the North American continent.

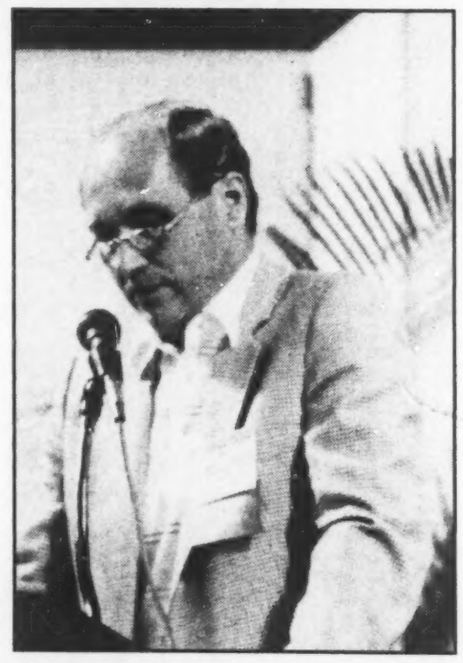
The relaxed atmosphere of the convention was in marked contrast to the gloomy condition of some of the industry's retail, wholesale and manufacturing members. But several officials attending the show are taking a toughened attitude towards their businesses vis-à-vis their competition.

"When Handyman goes out and Mr. HOW goes out, where does that volume go? Or does it just disappear because it was artificial to begin with," asked Jim Woodhouse, vp-marketing for Omark Industries, the Woodburn, Ore.-based tool accessories supplier.

"Some of the big guys in our business took the pipe this year, but that only means that instead of cutting the sales pie into eighths, we're now back to dividing it into fourths," said Dean Peel, senior vp of the Dremel division of Emerson Electric, in response to a question about the dire financial straits of a number of retail and distribution companies.

Peel was elected the new president of the American Hardware Manufacturers Association during the convention, replacing Dick Mason, the president of Ames. AHMA is a co-sponsor of this event, along with the National Wholesale Hardware Association (NWHA).

However, most of the conventioneers spoken to were surprisingly upbeat about the future, even while they were hearing from AHMA executive director Bill Farrell that the industry's sales were expected to be flat this year. "I think the mood is good," noted Michael Tucker, president of



Michael Tucker, pres.-D.H. Howden & Co., addresses suppliers at the Nat'l Hardware Convention, held in Honolulu.

(Continued on page 58)

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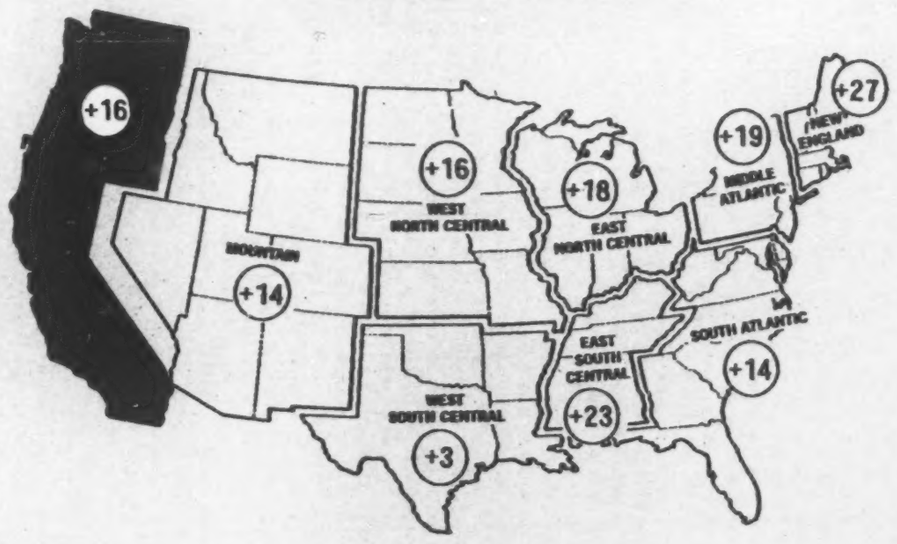
BUSINESS WATCH

Building Material and Supply Store Sales Outlook for 1986



United States +16 PERCENT CHANGE UNIT VOLUME

The NHCN Leading Indicator is projecting a small contraction in building material sales in the second half of 1986. The first-half boom in housing starts is past and the recent upturn in resales will not boost building material sales until next year.

Pacific states to outdistance nation in bldg. material sales

By Richard E. Mount
Special to NHCN

Building material sales in the Pacific states will increase 16% in unit volume this year, equal to the national average. For 1987, regional sales gains will slow to 7%, slightly higher than the 6% nationwide gain. The Pacific states cover broad geographic and economic territories. Washington and Oregon are beginning to accelerate and will be top performers in building material sales during 1986 and 1987. California will be average for the region. Hawaii and Alaska will be the softest markets.

The rebound in the domestic lumber industry is raising the level of economic activity in the Pacific Northwest

Richard E. Mount

states. The International Trade Commission has imposed a 15% countervailing duty on softwood lumber from Canada. The lower dollar has boosted U.S. exports. Strength in single-unit housing starts increased demand. The strike in British Columbia mills continues while problems in U.S. mills were short-lived.

Weakness in the national high-tech field, a growing industry in Washington and Oregon, developed in 1986 as consuming markets paused after the products of the recent past. But, this industry will rebound during the coming year, increasing local employment.

Building material sales will increase 18% in Washington this year and 9% in 1987. Employment is up 2.2% from a year ago, and resales posted a strong gain of 10% in 1985. The unemploy-

(Continued on page 51)

Home Center Industry Regional Outlook

		1985 QII	1985 QIII	1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		**121.0**	**123.4**	**124.7**	**127.9**	**132.1**	**136.6**	**138.8**	**139.9**	**118.5**	**130.3**	**140.8**
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	**53,736**	**56,976**	**61,180**	**62,580**	**63,128**	**62,964**	**65,292**	**67,398**	**53,841**	**62,463**	**69,122**
	New England	3,238	3,477	3,492	3,849	3,933	3,879	4,009	4,125	3,038	3,788	4,228
	Middle Atlantic	7,408	8,306	8,324	8,955	8,762	8,714	9,010	9,281	7,269	8,689	9,503
	East North Central	8,603	9,048	8,096	9,685	10,031	10,055	10,479	10,851	8,381	9,467	11,140
	West North Central	3,841	4,000	3,541	4,082	4,387	4,351	4,499	4,637	3,747	4,090	4,761
	South Atlantic	10,868	11,837	13,871	13,504	13,118	13,122	13,620	14,079	11,262	13,404	14,447
	East South Central	3,056	3,182	3,513	3,631	3,731	3,772	3,963	4,111	2,964	3,662	4,230
	West South Central	5,822	6,041	6,817	6,317	6,250	6,120	6,320	6,497	6,090	6,376	6,659
	Mountain	2,620	2,763	3,256	2,951	3,087	3,092	3,206	3,302	2,674	3,096	3,383
	Pacific	8,281	8,322	10,269	9,604	9,829	9,860	10,186	10,514	8,377	9,891	10,770
Constant	**Millions $1982 SAAR Total United States**	**51,144**	**53,749**	**57,422**	**60,401**	**59,955**	**58,800**	**60,370**	**61,700**	**51,035**	**59,145**	**62,936**
	New England	3,082	3,280	3,460	3,781	3,733	3,622	3,707	3,776	2,882	3,650	3,850
	Middle Atlantic	7,051	7,836	7,916	8,450	8,322	8,138	8,331	8,496	6,894	8,206	8,653
	East North Central	8,188	8,536	9,193	9,568	9,527	9,390	9,689	9,934	7,950	9,419	10,143
	West North Central	3,656	3,773	4,104	4,210	4,167	4,063	4,159	4,245	3,554	4,136	4,335
	South Atlantic	10,344	11,167	11,613	12,521	12,459	12,254	12,593	12,889	10,682	12,212	13,154
	East South Central	2,909	3,002	3,266	3,533	3,543	3,522	3,664	3,764	2,812	3,466	3,851
	West South Central	5,541	5,699	6,221	6,040	5,936	5,715	5,844	5,948	5,777	5,978	6,063
	Mountain	2,494	2,607	2,800	2,929	2,932	2,887	2,964	3,023	2,536	2,887	3,080
	Pacific	7,882	7,851	8,849	9,368	9,335	9,208	9,418	9,625	7,946	9,190	9,807
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
	New England	6.03	6.10	6.03	6.26	6.23	6.16	6.14	6.12	5.65	6.17	6.12
	Middle Atlantic	13.79	14.58	13.79	13.99	13.88	13.84	13.80	13.77	13.51	13.88	13.75
	East North Central	16.01	15.88	16.01	15.84	15.89	15.97	16.05	16.10	15.58	15.93	16.12
	West North Central	7.15	7.02	7.15	6.97	6.95	6.91	6.89	6.88	6.96	6.99	6.89
	South Atlantic	20.22	20.78	20.22	20.73	20.78	20.84	20.86	20.89	20.93	20.65	20.90
	East South Central	5.69	5.58	5.69	5.85	5.91	5.99	6.07	6.10	5.51	5.86	6.12
	West South Central	10.83	10.60	10.83	10.00	9.90	9.72	9.68	9.64	11.32	10.11	9.63
	Mountain	4.88	4.85	4.88	4.85	4.89	4.91	4.91	4.90	4.97	4.88	4.89
	Pacific	15.41	14.61	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	91.3	88.6	92.7	91.1	94.5	94.1	92.4	91.1	88.5	93.1	91.6
	Cement	106.5	99.8	121.2	108.7	105.3	110.1	107.9	106.5	105.7	111.3	106.4
	Gypsum Wallboard	129.6	132.4	132.8	133.7	132.3	134.5	134.6	134.2	126.4	133.3	133.9
	Hardware	99.2	99.4	99.8	102.1	104.5	104.5	104.5	103.9	100.9	102.7	103.8
	Lumber Products	126.1	125.7	128.0	132.8	134.1	130.6	127.5	126.7	122.9	131.4	126.7
	Paint	98.2	100.2	100.6	103.0	103.7	106.1	107.2	107.9	101.9	103.4	108.1
	Plywood	144.3	142.9	149.6	161.4	154.6	158.2	155.3	150.9	138.7	156 0	152.4

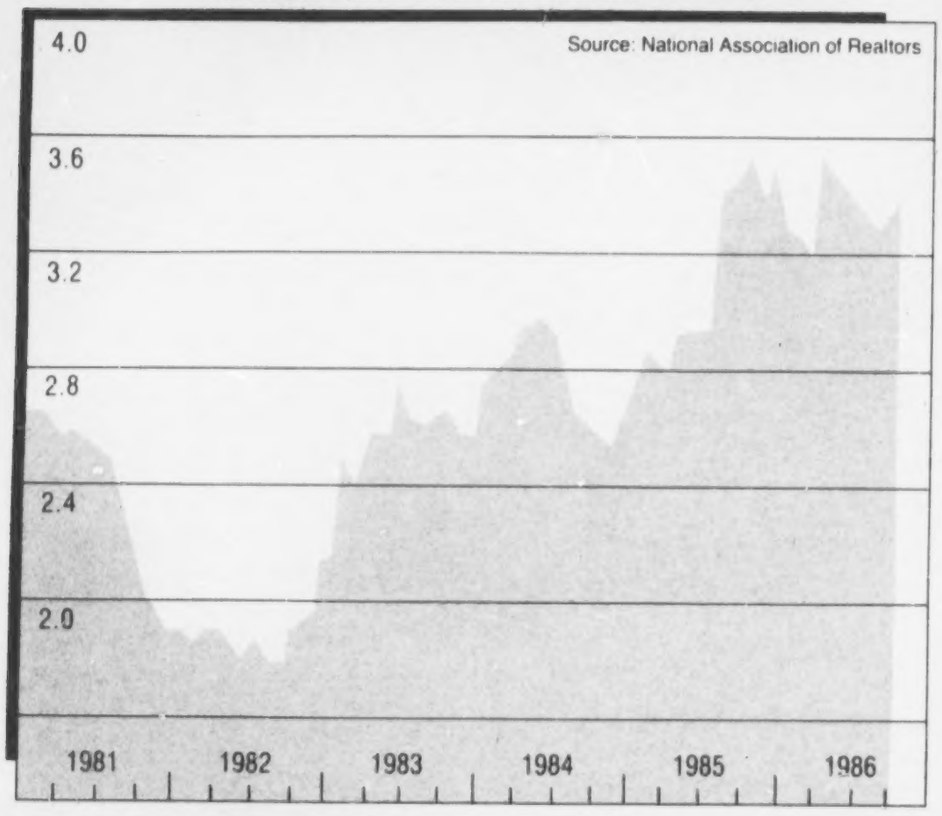
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
September 17, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

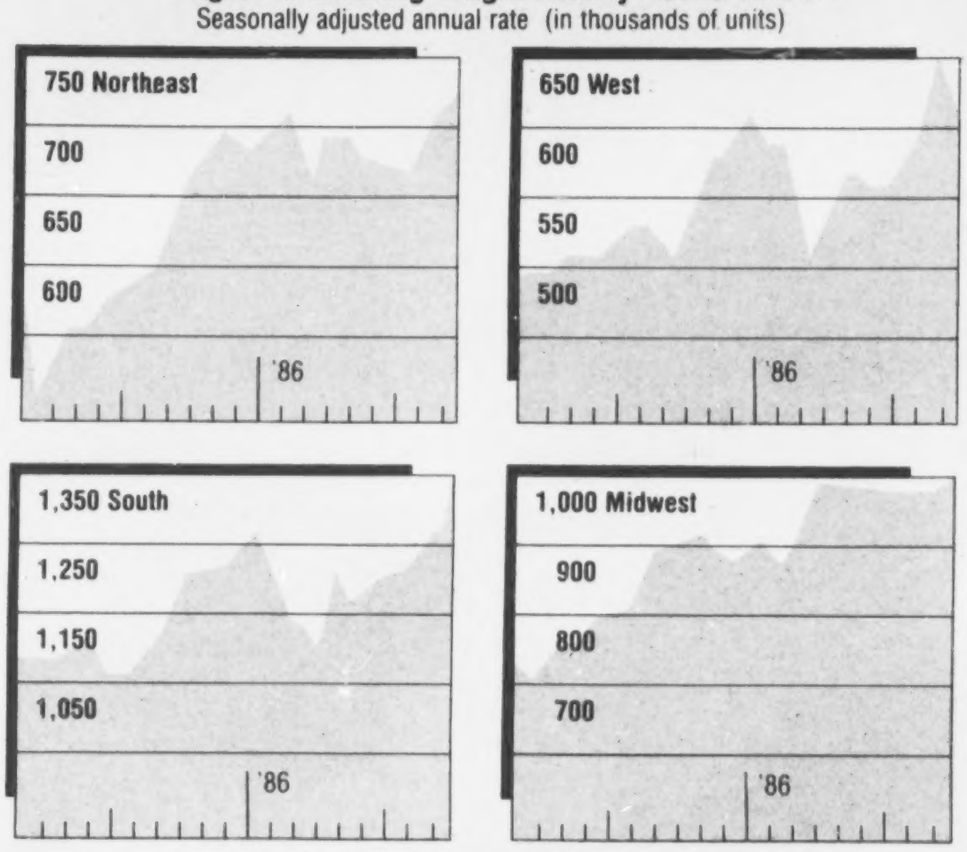
SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

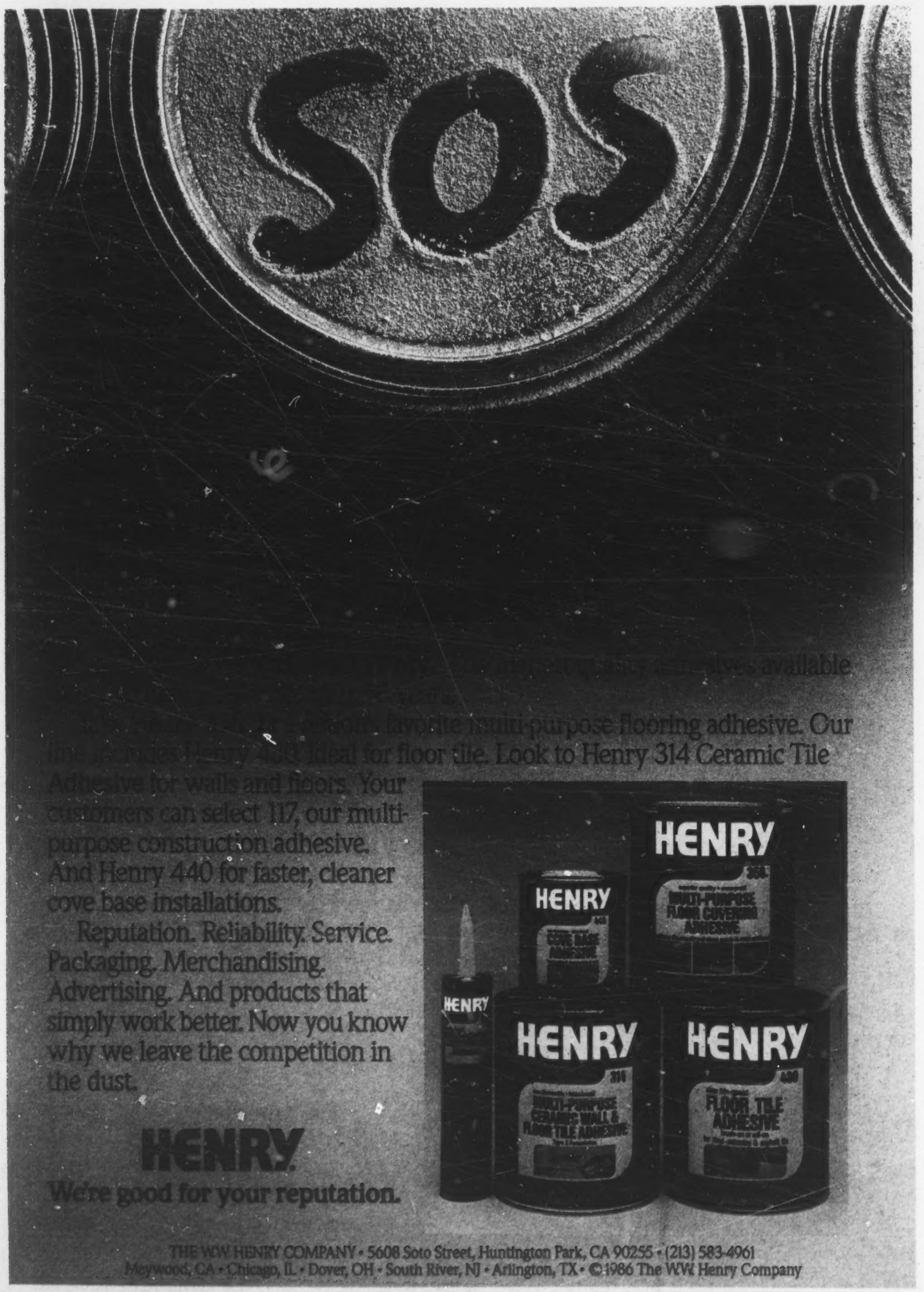
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)

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Low mortgage rates boost resale pace

By an NHCN staff editor

NATIONAL REPORT — Declining mortgage rates boosted the home resale pace by 4.4% in September, to a seasonally adjusted annual rate of 3.77 million units, the highest level in seven years, according to the National Association of Realtors (NAR).

September's rate was 8.3% above last September and equal to the record pace set in October 1979, the NAR said.

It was also a record month for the South. An improving economic environment helped the region post a 10.3% increase in its sales pace, to 1.39 million units, seasonally adjusted. This was the the region's highest resale pace since September 1979.

The pace was also 12.1% ahead of September 1985.

Nationally, the sale of existing single-family homes has risen 14.2% since January 1986, asserted association president Clark E. Wallace.

Mortgage rates hovering at the 10% level are credited with energizing this growth. The Federal Home Loan Bank Board reported that the effective rate for previously occupied homes in September was 10.08%, down from 10.26% in August. Last September, home-buying families paid 11.2% for mortgage money.

Median sales price
(in thousands of dollars)

	Sept.ᵖ	Aug.ʳ	July	June
U.S.	$79.9	$80.9	$79.9	$82.6
Northeast	106.4	107.5	104.6	109.7
South	74.9	77.0	77.2	80.0
Midwest	63.1	63.9	64.2	65.2
West	101.8	102.9	101.7	103.0

ᵖ-preliminary ʳ-revised
Source: National Association of Realtors

While mortgage rates continued their downward spiral, so did home prices, according to the NAR. In keeping with the four-month decline, the median-priced home dropped to $79,700, or $1,200 lower than the cost in August. However, compared with last September, home prices rose 5%.

National averages, though, have little to do with housing activity in the Northeast. Home prices in this active region fell $1,100 from August, to a median $106,400, 19.7% more than home costs in September 1985. Sales were up a mere 1.4% in September to 720,000 units, seasonally adjusted, a 4.3% increase over the same month last year.

The only region to record a sales decline in September was the West. There the pace eased 4.6% from August, to 620,000 units, seasonally adjusted. Activity was still 5.1% ahead of last year, however. Home prices also fell in September by $1,100 to $101,800, 4.2% above last year's pace.

The resale pace in the Midwest was second only to the increases in the South. Sales rose 5.1% in September to 1.04 million units, 8.3% above its September 1985 pace. Home prices fell $800 during this period, but were 8% above its year earlier level.

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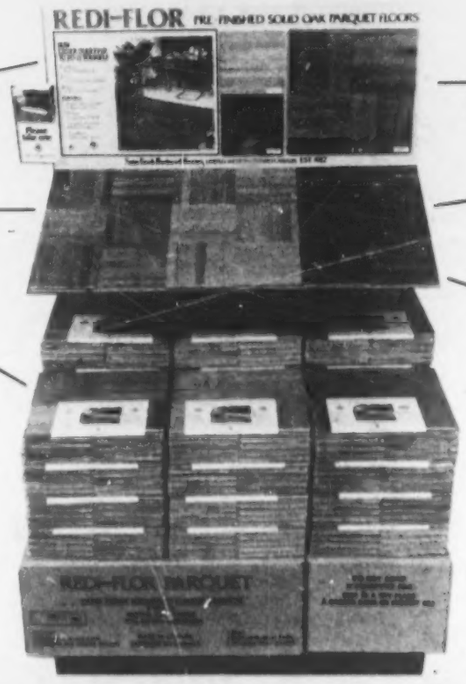
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LUMBER REPORT

Hardwood producers don't give home center dealers the hard sell

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Despite the high margins and good turns hardwoods bring some retailers, hardwood producers find the home center industry an afterthought when it comes to marketing their product.

Unlike softwood, where one-fourth of production ends up in the home repair and improvement market, hardwood lumber manufacturers market a scant percentage of their production to the home center industry.

With the exception of the random length, high-grade hardwood board suppliers, molding manufacturers, hardwood plywood producers, and hardwood flooring makers, hardwood suppliers have more fertile fields

More than 90% of America's hardwood production goes into industries that have little to do with home improvement.

According to the National Forest Products Association (NFPA), while 5% of the 6.5 billion board feet of 1985 hardwood production went to new residential construction in 1985, the retail market's consumption was too negligible to be calculated.

The NFPA reported that pallet producers took 35% of production, with furniture makers the second largest consumer at 25%. In third place were railroad ties, which accounted for 14% of consumption. Once such diverse end-uses as mine timbers (4%), container boxes (8%), nonspecific manufacturers (7%), and nonresidential construction (2%) were included, there was no percentage for DIY consumption.

Industry sources say that one of the reasons for the statistical absence of hardwood consumption in home improvement retailing may be that hardwoods are relative newcomers to retailer showrooms, having eluded DIYers until the past few years.

Bill White, president of the National Hardwood Manufacturing Association, pointed out that from a manufacturing standpoint, the hardwood and softwood industries have little in common beyond the obvious harvesting of trees. While both industries are concerned about forest management and mill improvements, the marketing and competitive pressures indigenous to both industries are quite different, said White.

Perhaps the biggest difference between the two industries, White said, is that unlike the softwood industry which mass produces its products, hardwoods are generally custom made and cut, with mills specializing in only one or two species based on their locale.

Because of this species specialization, the hardwood industry does not immediately prosper during a housing construction boom, but often has to wait six to eight months for the furniture makers to catch up and place orders, White said.

Another sharp contrast between the two industries is that American hardwood producers do not have any foreign competition on their turf, unlike their softwood brethren. Instead, Canada imports a significant percentage of America's hardwood production for its furniture industry.

Hardwood that appears in the average home center, manufacturers and retailers report, is not really thought of as lumber, per se, as much as it is a decorative product, geared more to the skilled handyman. These products, typically high-grade random length boards in red and white oak, walnut, maple, cherry, or birch, can be two to two-and-a-half times as expensive as similarly cut softwood boards.

Even Georgia-Pacific, the largest hardwood producer in the nation, whose softwood products and elaborate softwood distribution system is well entrenched in the home center industry, markets little of its hardwoods to the industry.

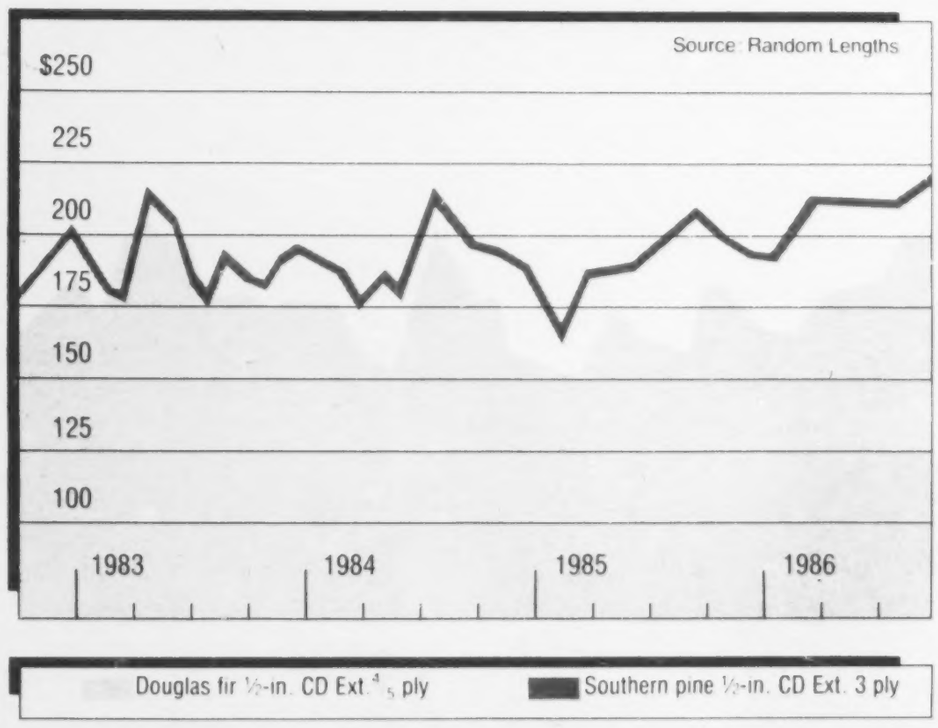
However, Doug Traub, a spokesman for G-P's building products, which began in 1927 as the Georgia Hardwood Lumber Company, said the company is polishing off an innovative plan to become dominant hardwood molding suppliers before year's end.

One prominent supplier in hardwoods to the home center industry is American Hardwood Industries, which merchandises appearance grade boards in distinctive self-service bins. In the company's Redi-to-Use Hardwood program, high-grade oaks, poplar, maple, cherry, ash and even walnut are aligned verti-

(Continued on page 46)

Commodity close-up

Western and Southern Plywood
Average monthly mill prices
(per thousand square feet)



The third quarter ended with plywood prices on an upswing. Douglas fir ½-inch CD Ext 4/5 ply jumped to $217 per thousand square feet from its August trading level of $213. Southern pine ½-inch CD Ext 3 ply rose $4, from $185 a thousand square feet to $190. The price increases represent the third consecutive month in which plywood prices have risen.
Source: Random Lengths.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended 10/23

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Nov.	$176.40	$171.60	$171.80	$174.20	2,247	$186.90	$146.00
Jan. '87	$173.30	$166.70	$167.00	$171.30	2,487	$182.00	$150.00
March	$173.10	$166.60	$166.60	$170.80	626	$180.50	$153.00
May	$173.00	$166.80	$167.10	$171.60	160	$179.00	$155.50
July	$173.00	$167.50	$169.00	$172.00	34	$177.50	$155.10
Sept.	$173.00	$166.70	$169.00	$172.00	25	$177.90	$163.50
Nov.	$170.50	$165.50	$167.00	$170.00	8	$171.00	$161.40

Total Contract Vol. (Through10/23): 12,659 — **Previous Two Weeks: 11,654**
Total Open Interest (As of 10/23): 5,587 — **Previous Week: 5,283**
Cash Price: $194.00 — **Previous Week: $182.28** — **Year Ago: $147.98**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 10/9
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Perspectives

cover story

Retailers put ad strategies under microscope

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT — Soaring ad costs are causing retailers to monitor the success of their advertising strategies more closely than ever before.

Retailers, who have increased their advertising to keep pace with the intense competition for market share, are finding that advertising represents their second highest operating expense, after payroll.

Therefore, many are turning to a variety of techniques to measure the success of their ads and discover which strategies generate the most store traffic.

However, with all the media options available and the complications of doing business in multimarkets, the problem is how to do this cost-effectively.

"We begin to look at advertising as an investment rather than an expense,"said Tom Herward, vp-marketing and merchandising at Busy Beaver, Pittsburgh."We want control, and to know which mix is best, which day should the ad break, the sales per different departments and what kind of lead time is necessary for the store."

POS systems aid ad analysis

To obtain this control Busy Beaver is currently installing a new point-of-sale system which will improve its ad sales analysis.

The new technology will enable the company to sharpen its ability to advertise key products, by providing immediate information on the movement of sale merchandise.

At San Antonio-based Builders Square, the POS system already produces very specific information for each product, tracking the return on investments and calculating gross dollars per square foot.

For example, a sale item chosen to generate volume can be tracked for unit sales, while one chosen to drive traffic through a particular department to create project sales can be assessed differently.

Similarly the systems provide a myriad of information for correcting ads that do not work. If a product on sale is not pulling, the retailer has information on whether it was due to pricing, timing, regional variations or placement in the ad.

These new systems also give retailers a method of tracking their competition better. One independent retailer regularly inputs the prices and items from his warehouse competitor's ad circular into his computer. In this way he can quickly assess the relative stengths of his own product lines, pricing and print ads.

Calculating the cost

Many retailers compare the sales of items during tab or non-tab weeks, and alternate ROP and circular advertising to measure their effectiveness.

O'Malley Lumber in Phoenix plots sales for each store and market on a graph over the schedule of advertising. The ad director then circles the peaks for tab weeks and non-tab weeks, and in this way can calculate the differences in average sales.

O'Malley found that in the Phoenix market, an 8-page tab generates an extra $150,000 in sales over non-tab weeks, at a cost of $25,000 according to Perry Steinhoff, ad director.

Target marketing

Although many retailers choose the products on sale to appeal to the widest possible customer base, the new data bases are also giving retailers the chance to experiment with target marketing.

This year, Builders Square sent out specific mailers concentrating on a single item or groups of items, targeted to a particular audience.

For example, it produced a mailer of pool chemicals for pool owners; another grouped together paint products and was sent exclusively to paint contractors.

This approach has been so successful that in 1987 Builders Square will divert some funds away from its mass advertising to produce 20 or 30 specific mailers. Some will be entirely funded by vendors.

"This is to increase business within our business, and in some cases to boost a particular category," said Jud Walford, executive vp.

True Value Home Centers of Tidewater, in Virginia Beach, Va., said it will experiment with target mailing at Christmas.

The mailer, containing a narrow product grouping of high-end merchandise, will be sent to a specific zip code area, representing a more affluent customer base.

"We are continually reviewing what we are doing. We keep thinking of the best way of getting the message out, the right mix, the pulse of what consumers want, "said Bob Taylor, vp, gmm at the five-unit company.

"The problem is I'm not the only one that's getting better. The competition has made us all better merchants, and a lot more involved in advertising."

TV or not TV?

Retailers can also use their information systems to help analyze the relative benefits of television or radio media for generating store traffic.

All American Home Center in Downey, Calif., tested TV for the first time in its market last Christmas.

"We analyzed what it cost us to do, what rate of return we got in sales over the past year, and how it compared with the print medium," said Lenn Rosenfield "For a single store operation we decided it wasn't that effective, and won't do it this year."

However, in another market, Columbia, S.C., where HomeQuarters Warehouse is building its second store,a single store operator has benefited from its first TV campaign. Independent Boozer Lumber used vendor financing to run donut commercials which widened its reach in the market and boosted total sales.

"Everyone sees our commercial all the way to the coast," said Joe DeMichael, retail sales manager. "TV is particularly important in South Carolina where the literacy rate is fairly low compared with other states."

O'Malley Lumber switched to radio when costs became prohibitive for TV advertising in the Phoenix market.

"Radio has become a very important part of our mix and we spend more to get a quality radio production,"said Steinhoff. "However, we can't really monitor its effect, it's really a secondary medium like yellow pages."

Hacienda Home Centers, Albuquerque, N.M., is better able to monitor the success of its advertising on KNBN radio, a Navaho language station which pulls traffic into its Farmington, N.M., store. Between 30% and 40% of all sales are from Navaho Indians.

"At the end of a busy Saturday we check the register for $100 and $50 bills. The Navaho Indian likes to carry big bills and doesn't believe in checks," said Burt Stephenson, ad director at Hacienda.

The Top 10 Most Expensive TV Markets
(Based on the cost of a 30 sec. commercial after 8 PM)

Rank	Market
1	New York City
2	Los Angeles
3	Chicago
4	Philadelphia
5	San Francisco
6	Boston
7	Detroit
8	Dallas-Fort Worth
9	Washington, D.C.
10	Houston

The Bottom 10 Least expensive TV markets

Rank	Market
1	Glendive, Mont. (5,200 viewing households)
2	Alpena, Mich.
3	N. Platte, Neb.
4	Selma, Ala.
5	Helena, Mont.
6	Manlato, Minn.
7	Bend, Ore.
8	Victoria, Tex.
9	Flagstaff, Ariz.
10	Presque Isle, Me.

Source: Television Bureau of Advertising (TVB) and Spot Quotation & Data Inc. (SQAD), Briarcliff Manor, N.Y.

The Most Expensive Newspapers for Advertising
(Based on the cost of a full page black & white ad running during the week, rounded to the nearest $100)

Newspaper	Cost
The New York Times	$34,000
The Washingtr 1 Post	30,300
Detroit Free Press	27,700
Los Angeles Times	27,600
Chicago Tribune	27,000
Philadelphia Inquirer-News	26,900
Detroit News	25,000
San Francisco Chronicle Examiner	23,900
Miami Herald & News	23,200
New York Daily News	22,000
Miami Herald	21,000
Boston Globe	18,600
New York Post	17,700
Pittsburgh Post Gazette	16,800
Newark Star Ledger	15,600
Cleveland Plain Dealer	13,900
Los Angeles Herald	13,900
Houston Chronicle	12,100
Houston Post	11,800
Dallas Morning News	11,700
Dallas Times Herald	11,200
Chicago Sun Times	11,100

Source: ADWEEK Marketer's Guide to the Media

Due to costly ad rates, dealers are scrambling to closely monitor their success in the various media. The top 10 most expensive TV markets as indicated above (left) by the Television Bureau of Advertising are based on total number of households. New York City was the most expensive with Glendive, Mont., the least expensive.

Airwaves present challenge to home centers

By Gary S. Ruderman
NHCN staff editor

NATIONAL REPORT — As the cost of television advertising rises, many home center retailers are looking for less expensive ways of getting their message out to the public. Some are opting for more localized, lower cost television ads on cable TV; others are taking advantage of special packages being offered by smaller market stations.

When it comes to advertising strategies, there are few caveats that can be applied universally because ad rates and retailers' needs differ so greatly from market to market.

In the California market, where home center retailers spent $7.6 million on TV ads last year, television ad rates are up 15% to 20% this year as every second of air time is in great demand.

So, Norris White, ad director for Dooley's Hardware Mart in Long Beach, Calif., is opting for a cable TV campaign, costing Dooley's $21 for a 30-second commercial vs. the "thousands of dollars" for a network commercial, even with manufacturer's cooperative advertising dollars.

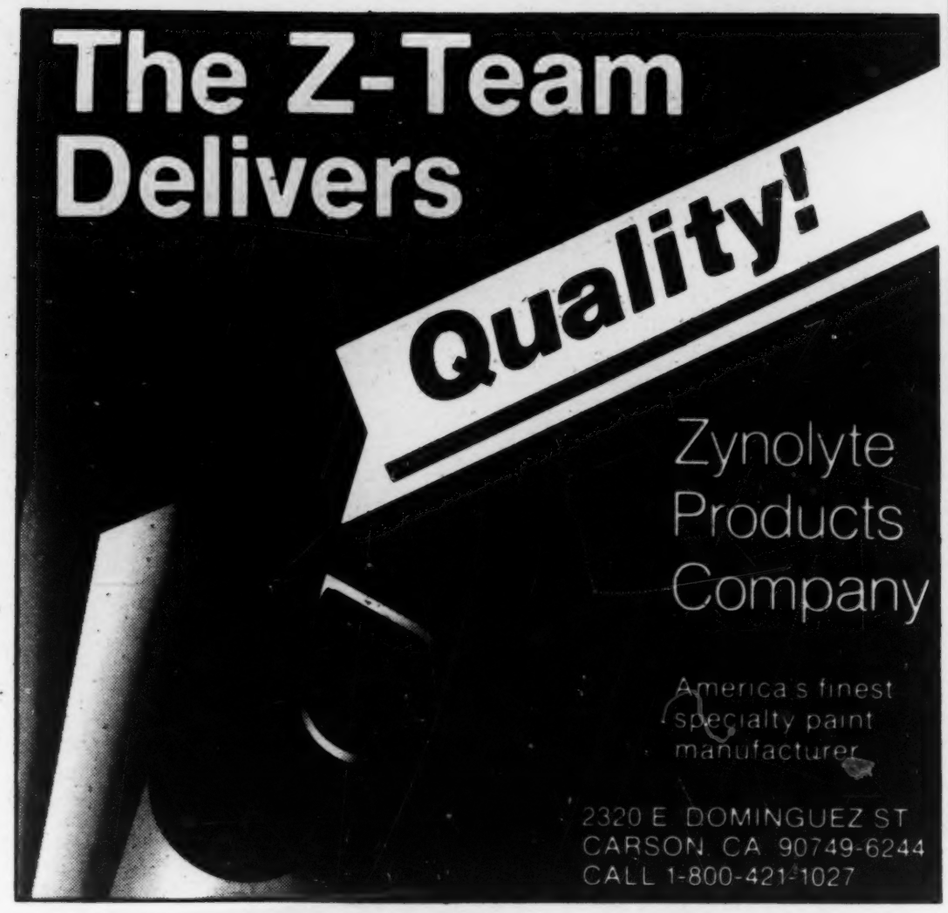
Mel Jaffee, president of National Lumber & Supply in Fountain Valley, Calif., started using cable TV six months ago, not solely for the lower prices but for the selectivity of its audience.

National's cable ad, costing $45 to $50 for a 30-second spot, reaches 50,000 people close to National's stores instead of blanketing the entire San Fernando Valley of two million to three million viewers at a cost of $1,500 to $3,000 for a 30-second spot.

For a variety of reasons, ad rates are at their highest in the fall.

The Christmas ad season, just underway, lifts rates to their peak. In Chicago, where home center television advertising accounted for more than $3.5 million last year, the cost of a fixed spot ad (where the time and date are locked in) is up 20% to 30% from August through December this year.

(Continued on page 24)



Hardwoods are a harder sell at home centers

(Continued from page 16)

cally, showing the face and grain of the products, usually with matching molding.

In the Redi-to-Use program, faceboard signage identifies the species to the shoppers with an accompanying literature pocket with recommended working and finishing ideas.

Although hardwoods in the home improvement industry are merchandised for nonstructural purposes, at least one mill is manufacturing an oriented strand board out of hardwoods.

Martco Partnership, a three-year-old OSB mill in LeMoyen, La., is producing 150 million board feet of OSB out of low grade oaks, pecans and hackberry, according to Rhett Garret, national sales manager. The panels, that are comparable in price to nonveneer panels made of softwoods, are being distributed under U.S. Plywood's Weldbord trademark.

Despite the low consumption figures among home improvement, home centers that carry hardwoods report that they enjoy a good margin and good turns with the products.

R. Lee Tussing, vp of Plywood Ranch, Braintree, Mass., said there is no doubt that competent craftsmen are the chief purchasers.

Tussing said the company stocks its random length hardwood boards with its molding and millwork and attempts to offer a broad assortment of oaks and dimensions. The hardwoods are priced individually and never advertised.

"We enjoy a good margin with it," Tussing said. "But this is a program for the serious hobbyist, the guy who is going to do something in his workroom. And it has to be. It's more expensive."

Cabinets, tortilla presses, cutting boards, shelving and picture frames are some of the common reasons shoppers are buying the product.

At Buford White Lumber in Shawnee, Okla., hardwoods have become popular with both contractors and DIYers who are using oaks for distinctive molding and trimming work.

At Buford White, hardwoods, hardwood plywood, decorative panels and molding are stocked together in one department. "Contractors are cutting down on the size of the homes they've been building and putting in oak molding and trimming dresses it up a little bit," said Ed Phillips, vp.

While many home centers prefer to keep their hardwood products merchandised in a decorative mode, others opt to stock hardwoods in the lumber and building materials department, even though the end use will not be structural.

One such company that stocks hardwood with lumber is All American Home Center, Downey, Calif. Tom Thomas, lumber buyer, said the company offers 27 sku's of hardwoods, and 16 to 18 sku's of hardwood plywoods. He said while turns are good, margins are fair in hardwoods.

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The patented Posi-Glide™ storm door closer has a new interior design which results in a smooth "no-bounce" closing action that is unaffected by temperature extremes. It resists wind damage and will never leak oil.
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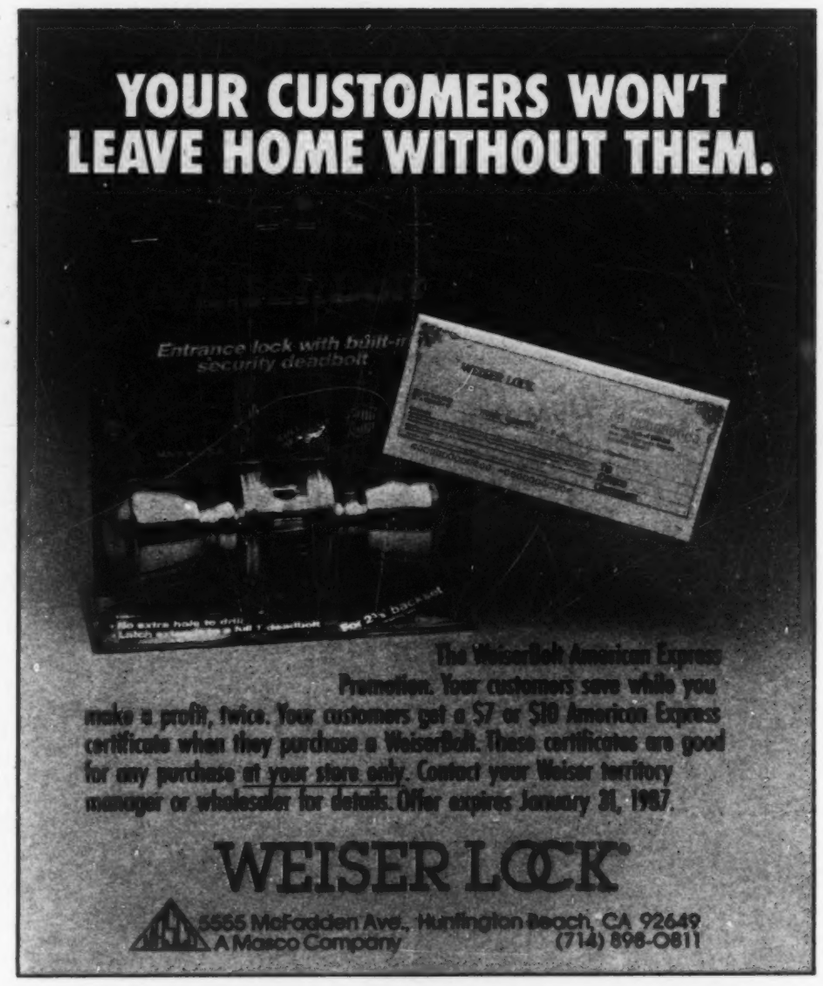
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The Weiserbilt American Express Promotion. Your customers save while you make a profit, twice. Your customers get a $7 or $10 American Express certificate when they purchase a Weiserbilt. These certificates are good for any purchase at your store only. Contact your Weiser territory manager or wholesaler for details. Offer expires January 31, 1987.
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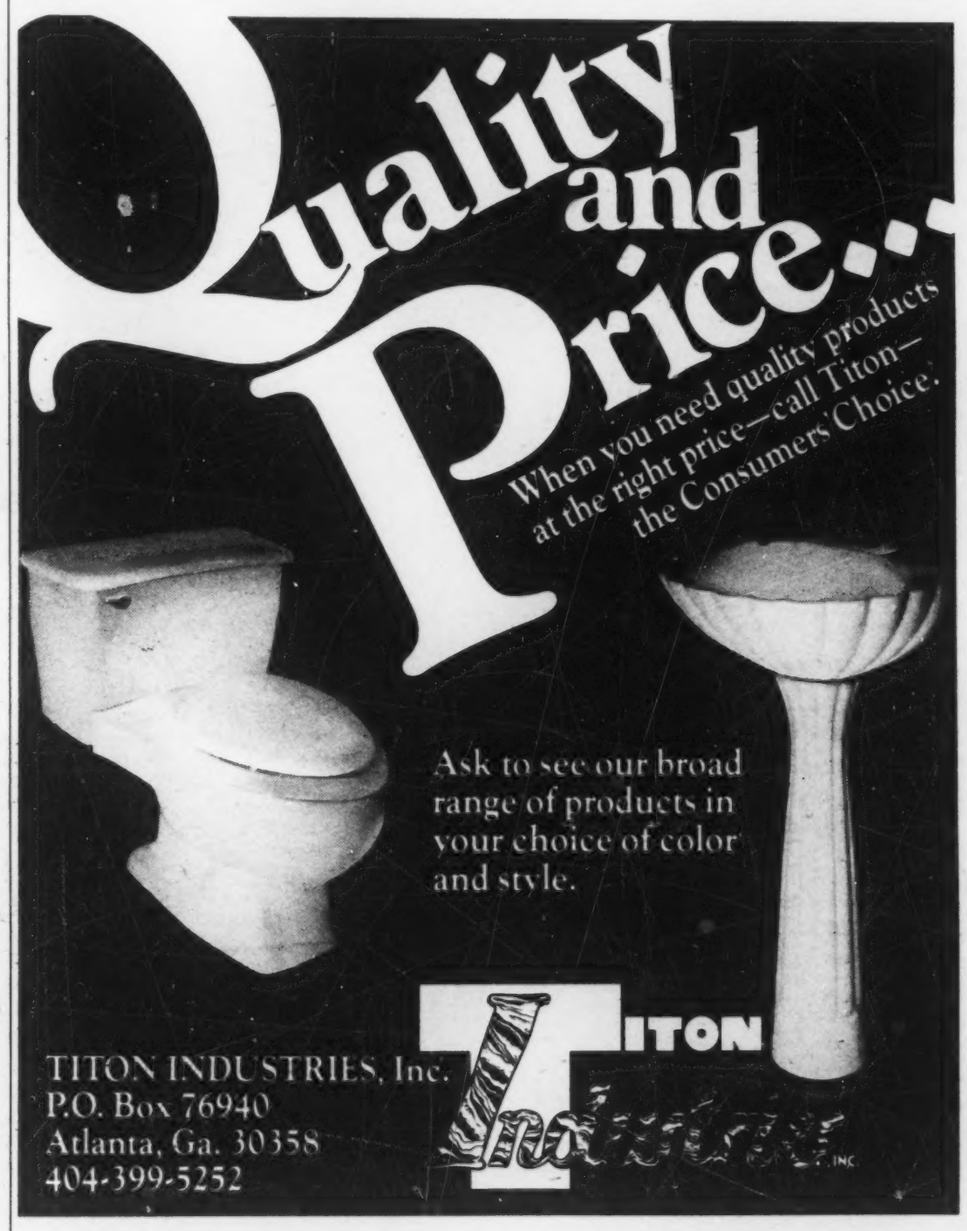
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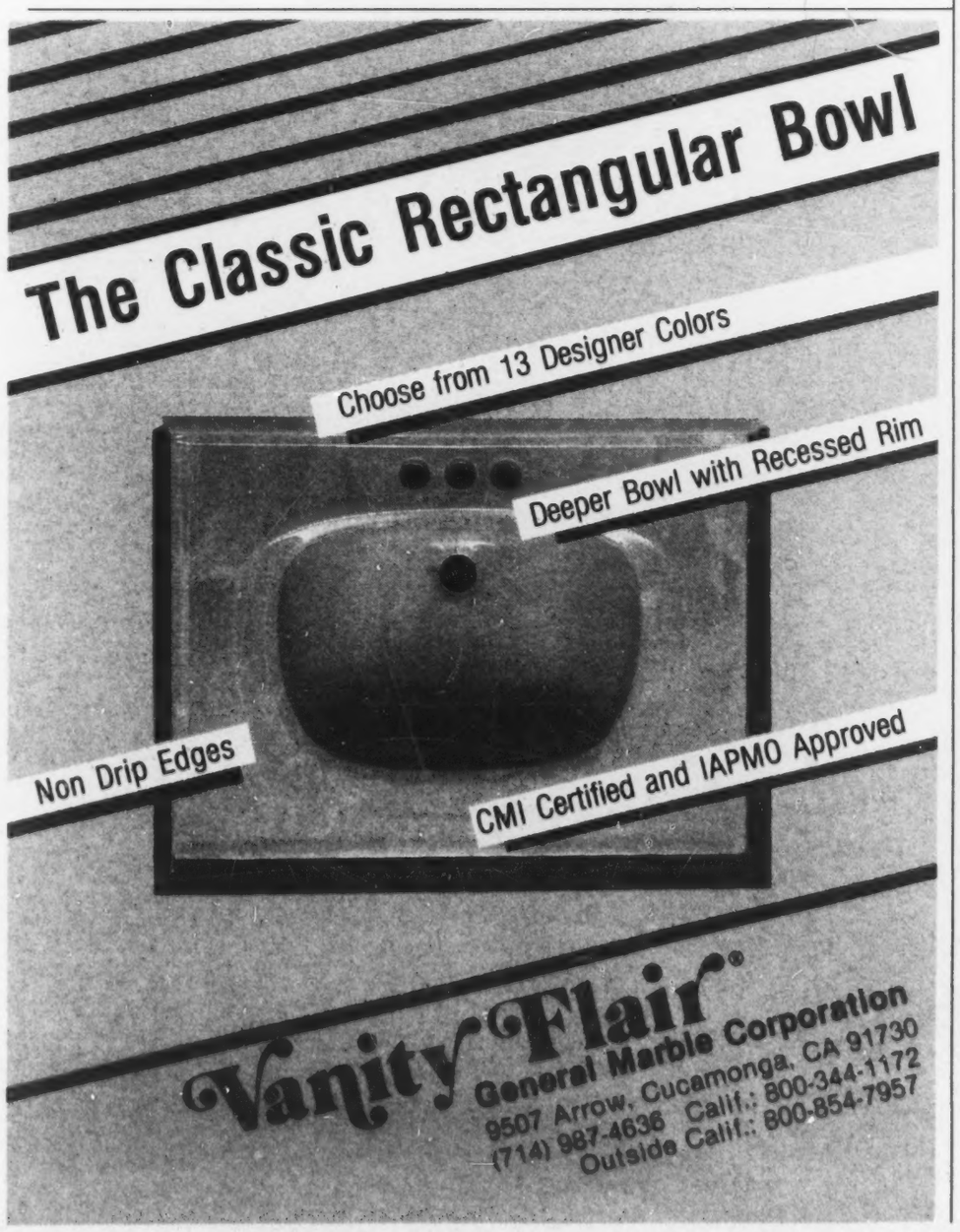

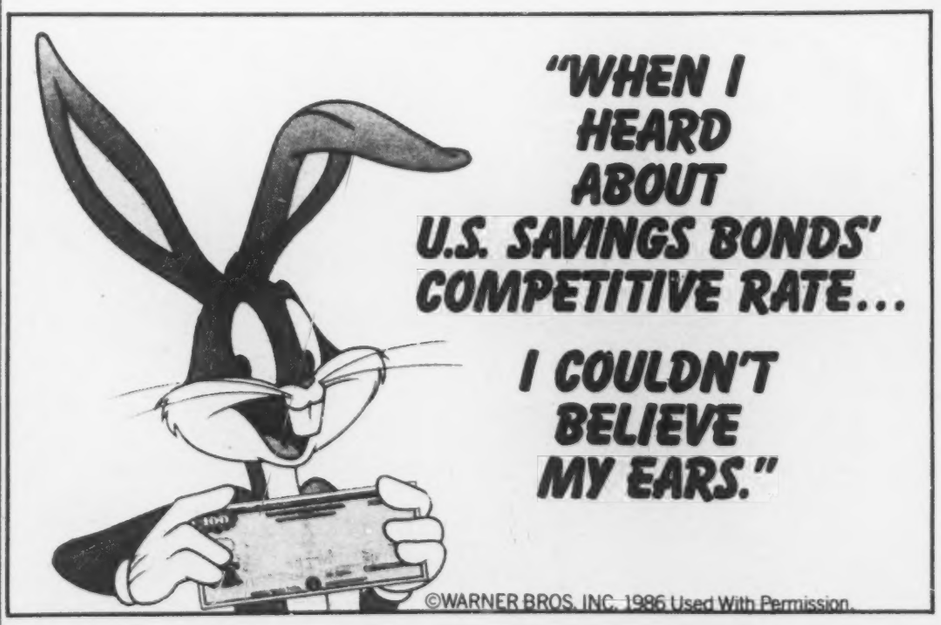
"WHEN I HEARD ABOUT U.S. SAVINGS BONDS' COMPETITIVE RATE...
I COULDN'T BELIEVE MY EARS."
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Savings Bonds earn market-based interest rates—just like money market accounts—so you're guaranteed a competitive return, no matter what happens to interest rates. All you have to do is hold your Bonds for five years.
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U.S. Savings Bonds—They'll make your ears perk up.
U.S. SAVINGS BONDS
Bonds held less than five years earn a lower rate. A public service of this publication.

BUSINESS WATCH

Pacific states to outdistance nation in sales

(Continued from page 10)
ment rate crept up to 8.9% from 8.4% a year earlier. This is not a reflection of weakness but of strength, however. The unemployment rate is based on the number of individuals looking for work, and the rising job market encouraged additional persons to seek employment.

California

Building material sales in California, after adjustment for inflation, will increase 16% this year and 7% in 1987. Employment is up 1.9% from a year ago with a 4.4% rise in finance and a 2.1% gain in government. Resales rose 7% last year and appear headed for a 15% gain in 1987. But, the diversified economy will be restrained by a number of sectors in 1987. Auto production will suffer from a slackening in sales as consumers digest the 1986 incentive-pushed volume. The petroleum industry faces increased competition from foreign refined products.

Hawaii

Sales of building materials in Hawaii will increase only 8% this year and 4% in 1987. Employment growth is up 1.7% from a year ago but construction activity is down 2.9%. Demand will be coming more from primary residences because the tax-bill will dampen the demand for second homes and investment properties, a major industry for the state. Resales rose from 13% last year to 7,900 units but appear to be headed for contractions of 5% in 1986 and 7% in 1987.

Alaska

Building material sales are likely to rise only 2% this year and 4% in 1987. The drop in energy prices has hit the state hard. Employment is down 1.8% from a year ago with mining down 7.4% and construction 16.7%. The unemployment rate is rising due to weak economic conditions. It stands at 10.8% versus 9.1% last year.

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SOME PEOPLE THINK HARDWARE IS HARDWARE.

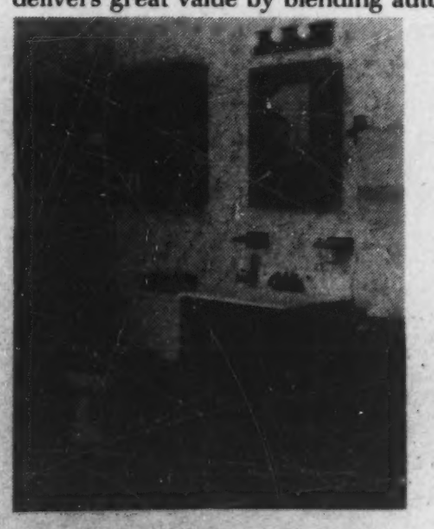
To find out why we never stop improving our hardware, call John Cooper (203) 225-5111.

STANLEY HARDWARE

"The last thing I need is another line of bath furniture." Home Center Buyer

It seems like someone always wants to sell you a line. How many can you carry?

What you really need is Sunny Wood. Not just another line, Sunny Wood delivers great value by blending automated production techniques with experienced craftsmanship and caring. We even match stain colors between furniture and accessories, so your customers keep coming back.



You even have a choice of fully assembled or KD, shipped from California, Tennessee or FOB factory.

Part of one of the largest private enterprises in the Far-East, Sunny Wood is a long-time supplier to brands you know well. Now Sunny Wood offers that same quality, value and experience directly to home centers.

You may not think you need another bath furniture line, but after looking at Sunny Wood, you'll think again.

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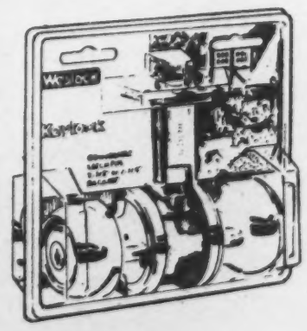
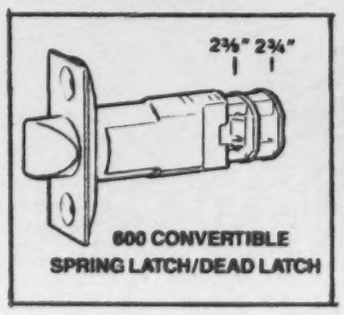
No More Confused Customers.
With Weslock, customers don't have to guess whether they need a 2-3/8" or a 2-3/4" backset. All our locks fit both sizes because all our locks have the convertible latch.





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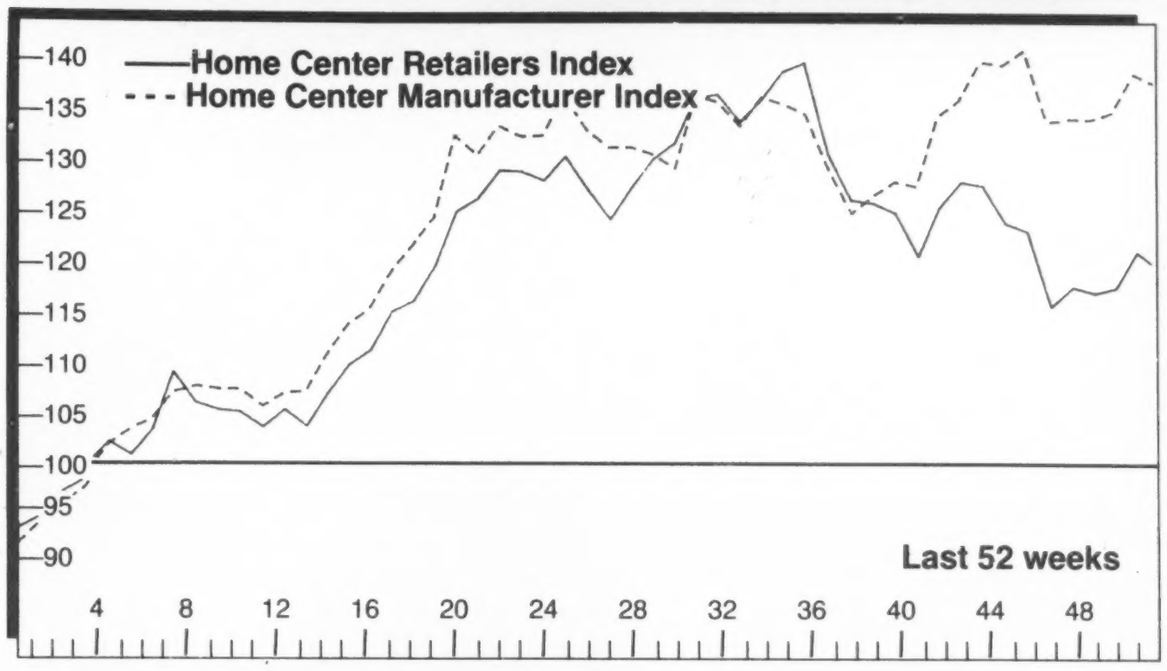
FINANCIAL NEWS

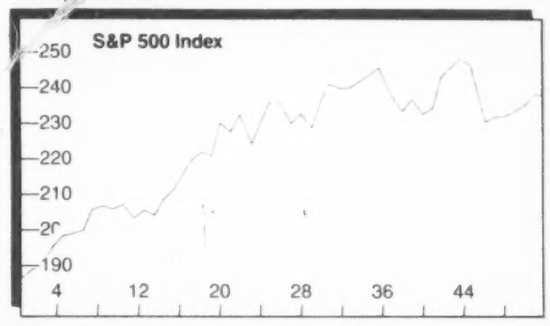


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-31-86	(100)	%	%
Forest City Ent ..... A	499	530.0	5.2
Grace W R ..... N	60,907	437.0	14.6
Lowe's Cos ..... N	31,145	292.6	13.0
Wolohan Lumber ..... M	2,197	220.5	8.7
Payless Cash ..... N	16,267	199.4	8.6
La Pacific ..... N	15,355	192.3	2.6
Ply-Gem ..... A	4,097	190.3	- 3.6
Insilco Corp ..... N	5,420	176.8	9.4
Emhart Corp ..... N	8,217	170.4	- 1.2
Champ Intl ..... N	52,817	157.3	2.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 10-31-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Svc Merchandise ..... N	11.63	20.8	60,771
Zayre Corp ..... M	24.63	15.9	45,211
Waxman Ind ..... N	15.25	15.1	987
Grace W R ..... N	57.00	14.6	60,907
Lowe's Cos ..... N	27.25	13.0	31,145
Insilco Corp ..... M	21.88	9.4	5,420
Wolohan Lumber ..... N	9.38	8.7	2,197
Payless Cash ..... M	18.88	8.6	16,267
Sherwin-Wms ..... N	27.00	8.5	11,398
Home Depot ..... N	18.38	7.3	9,859
	$	%	(100)
Natl Hardgoods ..... M	7.50	- 11.8	88
Am Standard ..... N	40.13	- 7.2	5,566
Mich General ..... A	1.75	- 6.7	1,769
Hechinger A ..... M	17.75	- 6.6	2,774
Erb Lumber ..... M	16.25	- 5.8	57
Handyman ..... A	45.00	- 5.5	111
Hechinger B ..... M	17.75	- 5.3	352
Natl Lumber ..... M	4.75	- 5.0	333
Manville Cp ..... N	2.38	- 5.0	7,016
Newell Co ..... N	27.38	- 4.8	1,568

National Home Center News

HOME CENTER MARKET SUMMARY

Stock Market

Company and Market	2-Weeks Ended 10-31-86	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%
Retailers														
Color Tile ..... M	31.13	- .13	- .4	31.25	27.00	31.38	18.88	160	.17	6.87	- 97.5	19.7	.00	.0
Erb Lumber ..... M	16.25	- 1.00	- 5.8	17.00	15.75	19.25	6.25	57	.17	.55	- 69.1	9.3	.00	.0
Forest City Ent ..... A	32.88	1.63	5.2	33.13	31.63	33.50	22.00	499	.63	.10	530.0	29.9	.30	.9
Grace W R ..... N	57.00	7.25	14.6	59.00	49.00	60.75	37.25	60,907	14.66	2.73	437.0	19.4	2.80	4.9
Handyman ..... A	45.00	- 2.63	- 5.5	47.63	44.00	47.63	24.00	111	.43	.77	- 44.2	19.5	.20	.4
Hechinger A ..... M	17.75	- 1.25	- 6.6	18.75	17.50	23.59	13.59	2,774	2.54	3.52	- 27.8	NA	.16	.9
Hechinger B ..... M	17.75	- 1.00	- 5.3	19.00	17.75	23.59	14.59	352	.21	.16	31.3	21.4	.06	.3
Home Depot ..... N	18.38	1.25	7.3	18.88	16.63	21.75	10.50	9,859	3.91	1.86	110.2	29.2	.00	.0
INTERCO Inc ..... N	43.75	1.63	3.9	43.88	41.50	47.63	33.25	3,882	1.3[illegible]	.99	37.4	14.4	1.60	3.7
K mart Cp ..... N	49.00	1.25	2.6	50.63	46.38	57.38	31.50	46,648	3.7[illegible]	2.11	75.4	21.6	1.48	3.0
Lowe's Cos ..... N	27.25	3.13	13.0	30.13	22.50	41.50	22.00	31,145	7.97	2.03	292.6	17.2	.40	1.5
Mich General ..... A	1.75	- .13	- 6.7	1.88	1.63	5.25	1.63	1,769	1.56	.96	62.5	NE	.00	.0
Natl Hardgoods ..... M	7.50	- 1.00	- 11.8	8.50	7.50	9.31	5.34	88	.65	.43	51.2	17.4	.00a	.0
Natl Lumber ..... M	4.75	- .25	- 5.0	5.00	4.75	7.00	4.00	333	.59	.42	40.5	NE	.00	.0
Pay N Pak ..... N	11.13	- .13	- 1.1	11.75	10.75	19.38	9.50	4,842	4.84	2.01	140.8	17.1	.40	3.6
Payless Cash ..... N	18.88	1.50	8.6	19.50	15.88	27.50	13.63	16,267	4.70	1.57	199.4	15.3	.16	.8
Scotty's Inc ..... N	13.38	.38	2.9	13.63	12.50	18.13	12.50	1,955	1.35	.54	150.0	15.9	.52	3.9
Sears, Roebuck ..... N	43.38	.50	1.2	44.75	41.63	50.38	34.25	51,681	1.38	1.00	38.0	11.8	1.76	4.1
Svc Merchandise ..... M	11.63	2.00	20.8	11.88	9.38	15.00	8.25	60,771	18.24	7.12	156.2	NE	.08	.7
Std Brd Pnt ..... N	23.13	- .50	- 2.1	24.25	22.25	27.00	19.13	3,043	2.69	3.07	- 12.4	19.3	.58	2.5
Supermkts Gen ..... N	29.25	- .88	- 2.9	30.13	27.50	32.25	21.25	6,662	1.73	.92	88.0	16.3	.28	1.0
Wickes Cos ..... A	4.63	.25	5.7	4.63	4.13	7.00	4.00	61,602	2.60	1.39	87.1	17.1	.00	.0
Wolohan Lumber ..... M	9.38	.75	8.7	9.63	8.63	10.75	5.25	2,197	3.75	1.17	220.5	11.3	.16	1.7
Zayre Corp ..... N	24.63	3.38	15.9	26.38	21.00	43.88	20.75	45,211	7.67	3.60	113.1	16.3	.32	1.3
Wholesalers														
Lewis Palmer ..... M	8.38	- .25	- 2.9	8.88	8.38	9.88	7.13	1,296	3.30	1.31	151.9	27.0	.28b	3.3
Stanline Inc ..... M	9.50	.00	.0	10.25	9.50	12.75	6.63	124	.77	1.00	- 23.0	10.8	.28	2.9
Manufacturers														
Allegheny Int ..... N	18.88	.13	.7	19.88	17.25	26.63	11.38	4,952	4.60	3.28	40.2	NE	.00	.0
Am Standard ..... N	40.13	- 3.13	- 7.2	43.00	39.75	46.88	30.00	5,566	1.48	1.48	.0	7.9	1.60	4.0
Am Woodmark ..... M	12.75	.00	.0	13.00	12.13	14.75	10.00	219	.36	1.06	- 66.0	13.0	.00	.0
Armstrng Wrld ..... N	57.13	2.50	4.6	59.88	52.75	69.88	36.75	6,764	2.81	1.42	97.9	12.0	1.68	2.9
Black & Decker ..... N	17.25	- .38	- 2.1	17.50	16.13	25.25	14.50	19,310	3.33	1.99	67.3	26.1	.40	2.3
Boise Cascade ..... N	60.50	1.50	2.5	60.88	57.25	61.50	41.00	7,496	2.56	2.16	18.5	20.9	1.90	3.1
Certain-teed ..... N	29.13	- 1.38	- 4.5	30.50	28.63	38.50	22.63	1,539	.81	.60	35.0	9.7	.90	3.1
Champ Intl ..... N	29.00	.75	2.7	29.38	27.88	29.75	22.25	52,817	5.61	2.18	157.3	16.5	.52	1.8
DeSoto Inc ..... N	38.88	1.38	3.7	39.38	37.50	41.38	32.25	363	.76	.67	13.4	29.2	1.40	3.6
Emhart Corp ..... N	32.00	- .38	- 1.2	33.00	31.50	42.63	27.88	8,217	2.65	.98	170.4	NE	1.40	4.4
Genova ..... M	4.75	.25	5.6	4.75	4.38	5.88	4.38	27	.07	.16	- 56.3	10.8	.10	2.1
Georgia-Pacifc ..... N	40.25	1.00	2.5	40.25	37.75	40.25	21.25	45,851	4.42	2.29	93.0	21.0	.80	2.0
Insilco Corp ..... N	21.88	1.88	9.4	21.88	20.00	24.75	16.88	5,420	2.74	.99	176.8	16.0	1.00b	4.6
La Pacific ..... N	29.38	.75	2.6	30.25	28.13	30.25	19.41	15,355	4.15	1.42	192.3	19.3	.80b	2.7
Macmillan Bloedel ..... M	29.25	1.00	3.5	29.50	27.75	29.25	13.22	282	.09	.05	80.0	NA	.50b	NA
Manville Cp ..... N	2.38	- .13	- 5.0	2.50	2.25	8.88	2.00	7,016	2.92	1.68	73.8	1.0	.00	.0
Masco Corp ..... N	27.88	1.50	5.7	28.50	25.00	34.50	16.81	28,118	2.18	1.02	113.7	19.8	.36	1.3
Mor-Flo Inds ..... M	13.50	.00	.0	13.63	13.25	19.25	12.00	171	.67	.49	36.7	14.8	.01	.1
Newell Co ..... N	27.38	- 1.38	- 4.8	29.38	27.13	36.75	19.88	1,568	1.37	.81	69.1	12.7	.84	3.1
Owens Corning ..... N	81.00	2.38	3.0	81.25	78.13	82.50	33.88	33,702	11.27	10.25	10.0	17.2	1.40	1.7
Ply-Gem ..... A	10.13	- .38	- 3.6	10.88	10.00	15.50	10.00	4,097	5.11	1.76	190.3	11.6	.12	1.2
Pope & Talbot ..... N	22.00	.00	.0	22.50	21.13	24.75	17.25	1,016	1.69	.85	98.8	16.5	.80	3.6
Potlatch Cp ..... N	55.75	- 2.75	- 4.7	58.38	54.50	61.00	34.25	1,255	.95	.71	33.8	14.7	1.68	3.0
Sherwin-Wms ..... N	27.00	2.13	8.5	27.88	23.25	32.25	18.69	11,398	2.53	1.08	134.3	15.6	.50	1.9
SW Forest Ind ..... N	17.13	.13	.7	17.50	16.[illegible]	17.50	9.88	3,710	3.02	2.73	10.6	NE	.00	.0
Stanley Works ..... N	26.25	.38	1.4	26.38	24.13	30.84	19.44	4,918	1.18	.58	103.4	13.5	.76	2.9
Thos Inds ..... N	19.38	- .13	- .6	20.25	19.25	26.75	17.25	968	1.07	.84	27.4	12.7	.68b	3.5
USG Corp ..... N	40.38	2.50	6.6	43.13	36.38	46.50	19.50	43,130	6.78	2.71	150.2	11.8	1.12	2.8
Walter, Jim ..... N	45.13	.25	.6	45.13	42.13	54.63	29.31	9,899	3.12	1.77	76.3	9.7	1.40	3.1
Waxman Ind ..... M	15.25	2.00	15.1	15.50	13.25	17.13	10.25	987	3.14	1.27	147.2	15.9	.08	.5
Weyerhaeuser ..... N	39.13	1.25	3.3	39.25	35.63	40.25	26.75	30,458	2.34	1.37	70.8	23.9	1.30	3.3

Financial Update

Company and Market	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers															
Color Tile ..... M	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber ..... M	.....	6 mos.	06-86	60.5	13.9	2.2	- 8.3	.67	3.1	95.6	20.4	1.9	- 5.0	.57	3.6
Forest City Ent ..... A	.....	6 mos.	07-86	43.3	- 19.1	6.4	88.2	.80	86.0	131.3	3.2	6.6	83.3	.83	84.4
Grace W R ..... N	NEW	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Handyman ..... A	.....	6 mos.	06-86	50.2	- 2.3	2.2	- 12.0	.85	- 14.1	112.8	- .6	2.0	- 60.0	.79	- 60.1
Hechinger A ..... M	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	.....	6 mos.	07-86	162.1	25.4	8.4	16.7	.27	12.5	299.0	22.6	13.3	20.9	.43	13.2
Home Depot ..... N	.....	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc ..... N	NEW	6 mos.	08-86	625.7	- 2.8	23.4	.9	.74	1.4	1204.9	- 2.3	37.8	9.9	1.20	10.1
K mart Cp ..... N	.....	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos ..... N	.....	6 mos.	07-86	657.8	10.4	21.2	1.4	.54	- 6.9	1191.8	13.7	32.6	- .6	.85	- 6.6
Mich General ..... A	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods ..... M	.....	6 mos.	07-86	10.9	5.8	.4	100.0	.25	25.0	17.4	2.4	.4	33.3	.28	33.3
Natl Lumber ..... M	.....	*	07-86	NC	NC	NC	NC	NC	NC	73.0	NC	(.7)	NC	(.12)	NC
Pay N Pak ..... N	.....	6 mos.	08-86	108.7	20.1	1.1	- 63.3	.11	- 63.3	213.8	23.4	3.4	- 33.3	.34	- 33.3
Payless Cash ..... N	.....	9 mos.	08-86	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotty's Inc ..... N	.....	3 mos.	09-86	118.7	7.6	1.6	- 42.9	.11	- 45.0	118.7	7.6	1.6	- 42.9	.11	- 45.0
Sears, Roebuck ..... N	NEW	9 mos.	09-86	11171.3	11.2	328.1	25.1	.88	23.9	31311.8	9.3	808.3	7.6	2.17	6.9
Svc Merchandise ..... M	NEW	9 mos.	09-86	329.5	- 37.6	(30.3)	NE	(.92)	NE	1413.2	- .5	(68.8)	NE	(2.07)	NE
Std Brd Pnt ..... N	.....	6 mos.	07-86	89.2	- 6.6	4.8	- 11.1	.42	- 12.5	167.0	- 5.3	8.1	- 20.6	.71	- 22.0
Supermkts Gen ..... N	.....	6 mos.	07-86	1361.4	5.8	19.9	226.2	.52	2.0	2698.7	7.8	32.2	79.9	.86	2.4
Wickes Cos ..... A	.....	6 mos.	07-86	1111.8	32.4	20.8	114.4	.13	160.0	2106.9	36.3	36.5	748.8	.15	NE
Wolohan Lumber ..... M	NEW	9 mos.	09-86	58.7	25.4	1.9	58.3	.33	65.0	141.9	25.2	3.6	63.6	.61	60.5
Zayre Corp ..... N	.....	6 mos.	07-86	1212.7	35.4	9.0	- 43.8	.15	- 44.4	2257.2	33.9	25.7	- 17.6	.43	- 20.4
Wholesalers															
Lewis Palmer ..... M	.....	6 mos.	07-86	46.6	24.3	.4	100.0	.12	100.0	80.4	14.0	.5	150.0	.14	133.3
Stanline Inc ..... M	.....	9 mos.	07-86	16.4	18.0	.5	66.7	.26	8.3	43.8	5.5	1.1	22.2	.64	- 8.6
Manufacturers															
Allegheny Int ..... N	.....	6 mos.	06-86	445.7	- 10.5	(1.6)	- 100.0	(.85)	- 100.0	912.9	- 8.9	10.3	- 31.3	(.44)	NE
Am Standard ..... N	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark ..... M	.....	3 mos.	07-86	28.4	16.9	1.8	63.6	.30	36.4	28.4	16.9	1.8	63.6	.30	36.4
Armstrng Wrld ..... N	NEW	9 mos.	09-86	506.0	13.3	35.6	26.7	1.47	25.6	1423.9	13.6	92.3	17.9	3.82	17.2
Black & Decker ..... N	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade ..... N	.....	9 mos.	09-86	959.5	2.7	13.3	- 34.5	.38	- 41.5	2821.2	- .8	69.6	- 18.4	2.28	- 19.7
Certain-teed ..... N	.....	9 mos.	09-86	304.5	.1	19.9	8.7	1.04	11.8	845.6	- .3	46.6	8.4	2.45	12.4
Champ Intl ..... N	NEW	9 mos.	09-86	1110.9	- 16.5	63.8	68.3	.68	83.8	3329.6	- 27.2	136.3	9.0	1.39	13.9
DeSoto Inc ..... N	.....	9 mos.	09-86	107.7	- 1.4	(3.8)	- 100.0	(.80)	- 100.0	336.0	1.8	3.5	- 69.0	.73	- 69.2
Emhart Corp ..... N	NEW	9 mos.	09-86	472.6	12.2	(71.2)	- 100.0	(2.30)	- 100.0	1510.1	17.0	(33.4)	- 100.0	(.98)	- 100.0
Genova ..... M	.....	9 mos.	06-86	14.5	2.1	.7	75.0	.19	111.1	35.9	.0	.9	12.5	.24	20.0
Georgia-Pacifc ..... N	NEW	9 mos.	09-86	1909.0	9.0	97.0	67.2	.90	73.1	5442.0	6.2	213.0	22.4	1.94	24.4
Insilco Corp ..... N	NEW	9 mos.	09-86	195.5	- 6.5	7.0	18.6	.29	- 3.3	572.9	- 10.1	25.3	12.4	1.20	.0
La Pacific ..... N	NEW	9 mos.	09-86	407.4	22.6	22.2	96.5	.60	93.5	1124.0	18.5	48.1	157.2	1.31	156.9
Macmillan Bloedel ..... M	.....	6 mos.	06-86	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp ..... N	NEW	9 mos.	09-86	511.1	8.4	26.7	NE	.85	NE	1457.2	3.7	63.9	NE	1.88	NE
Masco Corp ..... N	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds ..... M	.....	6 mos.	06-86	48.3	- 9.9	.8	- 52.9	.32	- 53.6	100.7	- 5.0	1.5	- 55.9	.60	- 55.2
Newell Co ..... N	NEW	9 mos.	09-86	106.3	15.3	7.4	37.0	.64	6.7	295.9	16.8	16.6	23.9	1.54	4.1
Owens Corning ..... N	.....	6 mos.	06-86	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem ..... A	NEW	9 mos.	09-86	59.2	49.9	1.6	45.5	.16	.0	168.9	37.3	6.0	93.5	.72	41.2
Pope & Talbot ..... N	NEW	9 mos.	09-86	78.1	- 4.8	4.3	115.0	.72	111.8	228.3	- 8.8	7.4	21.3	1.23	21.8
Potlatch Cp ..... N	.....	9 mos.	09-86	249.9	4.3	16.7	47.8	1.18	81.5	733.1	1.4	49.8	49.5	3.53	82.9
Sherwin-Wms ..... N	.....	9 mos.	09-86	604.1	4.4	32.3	11.0	.70	11.1	1705.1	1.6	69.7	10.1	1.50	8.7
SW Forest Ind ..... N	NEW	9 mos.	09-86	160.6	- 11.6	4.1	NE	.30	NE	461.6	- 13.1	(7.9)	NE	(.89)	NE
Stanley Works ..... N	NEW	9 mos.	09-86	388.3	30.7	20.1	3.6	.48	2.1	1115.1	25.9	55.3	5.1	1.32	3.1
Thos Inds ..... N	.....	9 mos.	09-86	72.7	- 8.1	2.1	- 57.1	.24	- 57.1	220.6	- 4.9	9.6	- 20.0	1.07	- 20.7
USG Corp ..... N	NEW	9 mos.	09-86	653.9	- .5	41.1	- 37.4	.65	- 33.7	2028.6	7.3	169.0	- .5	2.61	2.8
Walter, Jim ..... N	NEW	fiscal	08-86	1741.4	177.3	100.1	160.7	3.38	141.4	2368.3	3.3	138.6	24.1	4.64	13.4
Waxman Ind ..... M	NEW	3 mos.	09-86	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weyerhaeuser ..... N	NEW	9 mos.	09-86	1397.3	8.2	62.2	61.1	.44	83.3	4201.4	5.9	180.6	32.3	1.21	36.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va 23219

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National
Home Center News ®

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Handyman LBO tenuous as vote to dissolve nears

By Brad Altman
NHCN staff editor

SAN DIEGO — Time is running out for a management-led leveraged buyout of the entire Handyman Corp. or parts of it, as company officials prepare for a mid-December stockholder's meeting where shareholders will vote on the board of directors' recommendation to dissolve the 53-unit chain.

President and CEO Harvey Rosen said, "No matter what happens, the company will be dissolved in its present state—whether it is by an LBO, real estate deal or is bought by another company."

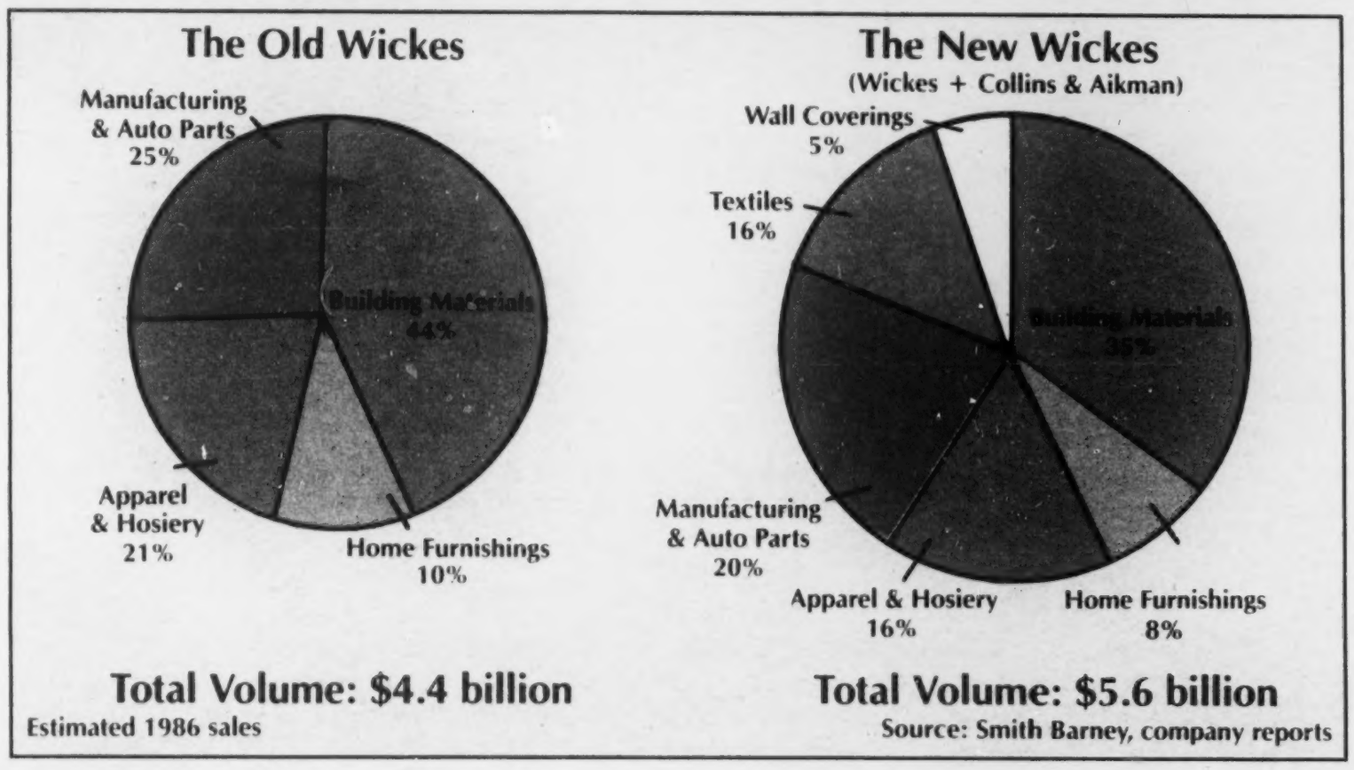
The publication of a liquidation proxy that will detail company director's recommendations to shareholders was slated for late November. "The next step is for stockholders to approve the board's recommendation," Rosen said.

"On the LBO, I don't want to make comment," he said.

He added, "Everything will be detailed in the proxy in terms of a variety of options. One thing is for sure—the company has got to be dissolved for tax purposes by the first of the year."

(Continued on page 54)

Collins & Aikman deal changes Wickes' focus



By Phillip M. Perry
NHCN staff editor

SANTA MONICA, Calif. — If Wickes Cos.' plan to purchase Collins & Aikman, the $1.2 billion maker of textiles and wall coverings, goes through as scheduled, Wickes will become a $5.6 billion company in which building materials play a diminished role.

Building materials, which now make up 44.2% of Wickes' total estimated 1986 revenues of $4.4 billion, will comprise only 34.9% of revenues.

The purchase will bring some synergy, in the sense C&A's wall coverings, carpeting and shower curtains can be sold through Wickes home center outlets. Its fabrics products reach the same automotive market as does Wickes' auto parts division, APS.

"The Collins & Aikman businesses fit in nicely with Wickes' existing lines," said Lloyd Kanev, managing director of research at Smith Barney, New York.

He also noted Collins had the same finan-

(Continued on page 54)

Grossman's out of Ch. 11, debt payment starts

By John Caulfield
NHCN staff editor

ATLANTA — Evans Products is out of Chapter 11.

On Nov. 19, 19 months and 8 days after Evans and seven subsidiaries filed for protection under Chapter 11, a reorganization plan devised by Evans' creditors became effective.

According to sources connected with this bankruptcy proceeding, stock, zero coupon notes and debentures for repayment of Evans' debt were expected to start being distributed immediately.

The plan called for Evans' bank creditors to receive 78% of their claims of $513.3 million through long- and short-term debentures worth around $133 million; the sale of Evans' non-retail assets (expected to produce $172.6 million); and 67.8% of the 20 million shares of stock to be issued in Grossman's Inc. (what the post-Chapter 11 Evans will be called) worth an estimated $76.3 million.

Trade creditors of Grossman's are projected to get 94% of their claims up to $105.2 million, in the form of zero coupon notes worth $70 million, plus 25.078% of the new com-

(Continued on page 53)

Triangle moves into central Pennsylvania

By an NHCN staff editor

CHAMBERSBURG, Pa. — Triangle Building Centers last month opened its fifth store and newest prototype in this south central Pennsylvania town, in pursuit of its long-range strategy of store growth in secondary markets.

The new 60,000-sq.-ft. unit is the company's first expansion outside of eastern Pennsylvania and is the first unit to open since Martin C. Schaeffer, who replaced Thomas Ostrander as vp and gm, came aboard at the beginning of this year.

At the time of Schaeffer's arrival, Triangle was abuzz with reports that the company was on the verge of major expansion in 1986.

But Schaeffer indicated that with the opening of the Chambersburg unit, Triangle's store expansion will come true. He said the company is moving to open more stores in

(Continued on page 54)

Canadian dealers ride crest of prosperity at Ontario show

By Milford Prewitt
NHCN staff editor

TORONTO — Growth in rural and resort areas of Ontario is benefiting the province's lumber and building material retailers who continue to ride the crest of a prosperous business cycle.

The economy throughout Canada is still weak in the western provinces, and only now is the country starting to show signs of recovery. But retailers of the Lumber and Building Materials Association of Ontario (LBMAO), which sponsored the Canadian

(Continued on page 53)

An overview of the Canadian Home Improvement Show at Toronto's International Centre. Inset are Hannah M. Hancock, executive vp, and new president, Peter Frans, of the Lumber and Building Materials Association of Ontario. NHCN photo

INSIDE

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Dan Cotter on the state of co-ops 23

Low-end lighting imports allow for high-end gamble 30

New promos brighten light bulb sales 33

NEWSBREAKS

OLE'S TO BE BE: The 39 California Ole's will be renamed Builders Emporium as Wickes assimilates the chain it bought in May. The conversion program is targeted to conclude next April at a cost of $2-$5 million, increasing BE's statewide store count to 97 units.

DARRER RETURNS: Norman Darrer, former president of Mr. HOW Warehouse, has returned to Grossman's Inc. as senior vp/operations, overseeing the company's Outlet division.

INDUSTRY UPDATE

Wiener acquires Builderama

SAVANNAH, Ga. — Wiener Enterprises of Harahan, La., acquired seven-unit Builderama, based here, for $5,994,738 on Oct. 7, according to an 8-K filing with the Securities and Exhange Commission (SEC) dated Oct. 22.

Under the terms of the sale, Donald Kole, owner and president of Builderama, retains the presidency at least until 1990. After that, the SEC document said Kole will need to comply with a 10-year non-compete clause.

Additionally, the buyers will pay Builderama's former owners, Kole and three members of his family, up to $1.2 million through 1989 if operating income goals are met in those years, the SEC document reported.

According to the SEC filing, Wiener paid 1.5 times the adjusted book value of the company.

In a separate matter, Kole announced Builderama will open its eighth unit in North Augusta, S.C., next summer.

Worthington doubles fill rate

CLEVELAND — Forty-five days after filing for protection from creditors under the Federal bankruptcy law, The Geo. F. Worthington Co. doubled its fill rate to its more than 1,000 retail and commercial accounts.

Kenneth Hrovat, president of the Cleveland-based Sentry Hardware wholesaler, said fill rates in November rose to the mid-60% range, up from 30% when the company filed for Chapter 11 Sept. 24.

Hrovat said a $9 million line of credit and a leaner staff helped the company to boost its fill rate.

Strober sells common stock

BROOKLYN, N.Y. — Strober Brothers completed the sale of one million shares of common stock Nov. 7. The stock was sold at $12 per share, about the mid point of the expected offering range.

Strober indicated proceeds from the offering would be used for an aggressive expansion program. (*NHCN*, Nov. 3).

Proceeds to the company came to $11.1 million after underwriting fees, according to Gary Nacht, cfo for Strober. Oppenheimer & Co., New York, managed the offering. The shares are being traded over the counter under the NASDAQ symbol STRB.

Home Quarters appoints execs

VIRGINIA BEACH, Va.— Home Quarters Warehouse, which was bought from the W.R.Grace chain last month by its management investor group, is strengthening its executive team.

The new position of vice president-general merchandise will be filled by David Dail who will report directly to Frank Doczi, president and chief operating officer.

Tom Patterson was promoted to senior buyer, merchandiser, reporting directly to Dail.

Gary Emerine, the new buyer, merchandiser, will report to Patterson.

K mart adds 9 Mr. HOW units

TROY, Mich. — K mart has assumed ownership of nine Mr. HOW Warehouses, formerly owned by Service Merchandise, according to an asset purchase agreement signed in August.

The first group of stores include units in Virginia Beach, Va.; Columbus, Ohio; Augusta, Ga.; and one each in Davie, Coconut Creek, Green Acres and Melborne, Fla.

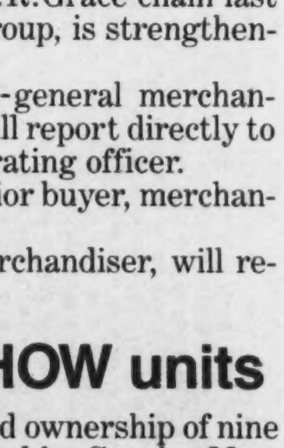
Home center stocks mixed

NEW YORK — Home center stocks closed mixed for the two week period ending Nov. 14, as investors took a wait-and-see attitude on third quarter results. Of 56 stocks tracked by *NHCN*, exactly half increased in price, while 21 declined and seven remained even with previous results.

Retailers, however, tended to cluster in the declining group while vendors characterized the winners.

Pay 'N Pak increased 11.2% to close at $12.38, while Zayre went up 10.7% to $27.25.

Primary losers were Erb Lumber, down 6.2% to $15.25, and Wolohan Lumber, down 4% to $9.



If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.).

Distributors earn mixed grades from suppliers at NBMDA show

By Wyatt Kash
NHCN Editor

CHICAGO — The nation's independent building material wholesalers received an unusual report card here from suppliers last month.

The occasion was the 35th annual convention of the National Building Material Distributors Assn., and the report card was in the form of a survey of the association's allied suppliers.

The survey sought to evaluate how effectively distributors as a whole serve NBMDA suppliers and their retail customers.

The reviews, however, were clearly mixed, prompting one of the livelier debate sessions during the Nov. 8-12 conference, considered by many to be the most active in recent years.

Among other high points of the convention were the election of Joseph T. Theby Jr. as the association's president for the coming year; the ratification of a new strategic plan for the association; the call for a joint exploratory meeting between the NBMDA and the National Lumber and Building Material Dealers Assn.; the installment of a supplier for the first time on the NBMDA's board of directors; and keynote addresses by Howard Baker Jr., the former Senate majority leader from Tennessee, and Guy Mabry, executive vp of Owens-Corning Fiberglas, among others.

Traffic during the two days of conference booth sessions was also considered high, in contrast to past years when suppliers seemed to outnumber wholesalers by an unhealthy margin.

A more aggressive posture on the part of the NBMDA and strong wholesale business activity in most parts of the country were among reasons John Hoch, a sales manager for United Steel Products, Montgomery, Minn., believed were behind the increased attendance.

Perhaps a deeper reason for wholesaler enthusiasm, cited by Hoch and others, was the perception that the reliance upon distributors, which seemed to have waned in recent years, now appears to be on the rise.

"It's busier than it's been in many years," said Edwin Hull, vp of Gibson-Homans, Twinsburg, Ohio, describing the show. He attributed the activity to change in attitude, suggesting that distributors are "more aware of retailers' needs.

"It's not just a matter of getting a truckload [of goods] in and out of the warehouse. [Distributors] are coming to the realization they have to help dealers move it too."

Clearly, more of that kind of help is what suppliers would like to see, according to the re-

(Continued on page 54)

Builders Square wins name suit verdict

By an NHCN staff editor

SAN ANTONIO, Tex. — A jury here recently found that even though Builders Square and Builders Choice, both San Antonio-based companies, are similarly named, consumers are not confused by the similarity.

In fact, a jury in Texas District Court in San Antonio took less than one hour to reach its verdict, according to attorneys for the two companies.

The verdict, delivered on Oct. 30 after a 10-day trial, ended the 1½-year-old fight by Builders Choice to stop Builders Square from using its name and confusing its customers.

Builders Choice, which opened in February 1983, is a small, single-unit company specializing in builder hardware, particularly nail guns and fastening equipment. Its sales are about $1 million a year, according to its attorney, Ted D. Lee with the San Antonio firm of Gunn, Lee & Jackson.

Until January 1985, the Builders Square stores in San Antonio were operated under the Home Pro name. When K mart purchased the company in September 1984, it changed the name of the stores to Builders Square to blend in with the rest of its retail building supply units, explained David Haarz, trademark counsel for K mart.

Although the jury verdict has already been delivered, Lee said he may appeal, though that has not yet been decided.

Builders Choice filed suit in Texas District Court in San Antonio in April 1985 to stop Builders Square from using the word "Builders" in its name, which it alleged was confusing to its consumers. They sought nearly $1 million in corrective advertising. Lee said Builders Choice was receiving phone calls and mail for Builders Square.

Prior to filing the lawsuit, Lee wrote Builders Square a letter requesting that the company, now with 83 units nationwide, stop using the Builders Square name. Haarz, said K mart "answered accordingly. We felt there was nothing to this claim and responded there was no confusion."

So far, Lee and Haarz said

(Continued on page 53)

Anchor Hocking rejects Newell's bid

By an NHCN staff editor

FREEPORT, Ill. — Anchor Hocking, the Lancaster, Ohio-based maker of decorative hardware, locks and housewares, has rejected an acquistion offer by Newell Co.

Newell's bid of $34 per share for all the target firm's 10.5 million outstanding shares represents a valuation of $357 million for the firm.

The offer, announced Nov. 6, came two months after Newell, a $350 million hardware and housewares vendor, first revealed it had been accumulating stock in the target firm. In early November Newell said it had accumulated 9.5% of Anchor Hocking stock, bringing its holdings to one million shares.

J. Ray Topper, Anchor Hocking's ceo, called the bid by Newell "a real non-offer if I've ever seen one." He claimed the bid "didn't represent a bona fide offer to acquire Anchor Hocking," in the sense the bid was open ended and lacking in commitment.

Anchor Hocking would not comment further on the issue. What Topper meant by his characterization of Newell's bid remains unclear, since Newell's public statement specified a precise per-share offer.

"The statement makes it *sound* as though the offer was not for a definitive price," noted Albert M. Klein, director of research at Edward A. Viner, a New York brokerage firm.

Anchor Hocking's negative reaction may be due partly to the fact the offer does not represent a substantial premium over the company's going price. During the first half of this year—prior to news of Newell's interest in the firm—Anchor Hocking stock was selling for a high of $32.30. However, news of continuing problems in the firm's glassware division caused the stock price to dip to $25 in late July.

Al Lewis, Anchor Hocking's corporate spokesman, said the company had already taken a step to improve its own profitability by reaching a favorable settlement last month with the American Flint Glass Workers Union.

(Continued on page 54)

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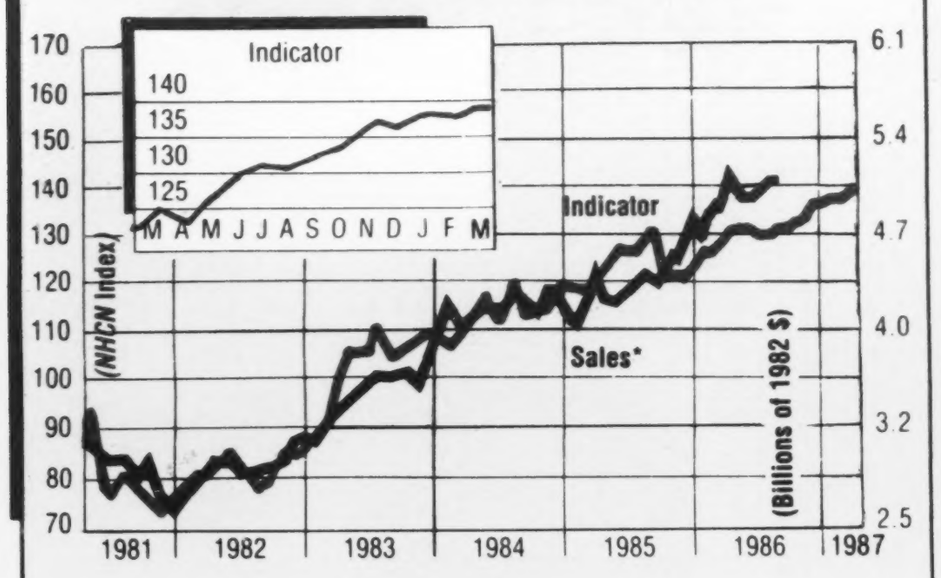
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The *NHCN* Leading Indicator is projecting a small contraction in building material sales in the second half of 1986. The first half boom in housing starts is past, and the recent upturn in resales will not boost building material sales until next year.

Single-family home sale surge to boost material sales by 16%

By Richard E. Mount
Special to NHCN

Building material sales will increase 16% this year and 11% in 1987, partly due to the surge in new, single-family home sales. New housing provides two markets for building materials. The larger market is the materials used during building. The second market develops after the buyer moves into the new home and make changes.

New home sales will increase 18% in 1986, to 740,000 units, the best year since 1978 when 817,000 units were sold. The new home market was propelled by drops in interest rates, especially in the first half of the year, and a gradually improving economy. Sales in March reached a record high while April was the third best on record.

Richard E. Mount

Sales in 1987 will equal 1986. Fixed rate mortgages will decline to about 9.3% by the middle of 1987, adjustables to 8% or less.

Not all regions will fare the same during this time. The Northeast faces a small but multiyear correction. The Midwest will accelerate. The South faces weakness into 1987. The West will continue to gain.

Northeast sales

The Northeast has been the fastest growing region for new home sales for every year in the current recovery. The finance- and service-based economies from Boston to Washington have been solid, boosting demand for primary and secondary residences. The strength has been reflected in average new home prices—up 21% from a year ago.

New home sales should

(Continued on page 13)

General Business Conditions

	1985		1986				1987		1985	1986	1987
	QIII	QIV	QI	QII	QIII	QIV	QI	QII			
***NHCN* Leading Sales Indicator** (January 1980 = 100)	121.0	123.4	124.7	127.9	132.1	136.5	138.5	140.6	118.5	130.3	140.9
General Economic Outlook											
GNP $1982 Billion	3,603.8	3,622.3	3,655.9	3,661.4	3,683.3	3,697.8	3,710.1	3,727.0	3,585.2	3,674.6	3,743.4
Real Disposable Income $1982 Bil.	2,524.7	2,540.7	2,581.2	2,625.8	2,611.2	2,616.8	2,634.7	2,647.1	2,528.0	2,608.8	2,656.6
Housing Permits (000 SAAR)	1,762	1,741	1,834	1,822	1,682	1,650	1,550	1,610	1,739	1,767	1,621
Housing Starts (000 SAAR)	1,688	1,773	1,988	1,908	1,760	1,670	1,650	1,680	1,742	1,832	1,703
New Home Sales (000 SAAR)	711	696	789	789	675	700	710	710	686	738	730
Resales (000 SAAR)	3,360	3,500	3,257	3,470	3,560	3,425	3,425	3,450	3,216	3,428	3,449
Prime Rate %	9.5	9.5	9.4	8.6	7.9	7.4	7.0	6.7	9.9	8.3	6.7
Mortgage Rate % (HUD)	12.1	11.8	10.8	10.1	10.0	9.9	9.5	9.3	12.5	10.2	9.4
Consumer Price Index (1967 = 100)	323.0	326.5	327.7	326.3	328.4	330.8	333.5	336.5	322.1	328.3	338.3
Producer Price Index (1967 = 100)	293.1	296.4	292.0	288.0	288.3	290.1	292.7	295.7	293.9	289.6	297.2
New Housing Affordability 1980-100)	120.7	120.5	128.6	127.1	128.9	132.2	133.4	135.4	117.6	129.2	134.8
Residential Alterations and Repairs											
Current Total $ millions SAAR	77,800	90,600	84,965	87,508	90,543	92,903	94,567	96,069	80,267	88,980	97,902
Maintenance and Repair	33,200	39,800	37,586	38,675	39,781	40,907	41,683	42,100	35,358	39,237	42,855
Additions and Alterations	29,800	30,400	29,910	30,833	31,861	32,543	32,869	33,754	28,775	31,287	34,305
Major Replacements	14,700	20,400	17,470	18,001	18,901	19,453	20,015	20,215	16,134	18,456	20,742
Constant Total Millions $1977 SAAR	45,368	51,857	48,150	49,100	50,300	51,100	51,500	51,800	46,985	49,663	52,513
Maintenance and Repair	19,385	22,780	21,300	21,700	22,100	22,500	22,700	22,700	20,719	21,900	22,988
Additions and Alterations	17,400	17,400	16,950	17,300	17,700	17,900	17,900	18,200	16,775	17,463	18,400
Major Replacements	8,583	11,676	9,900	10,100	10,500	10,700	10,900	10,900	9,491	10,300	11,125
Retail Trade Activity											
Current Total $ millions SAAR	1,399,296	1,388,316	1,404,932	1,421,400	1,474,232	1,460,268	1,482,507	1,507,248	1,373,941	1,440,208	1,517,443
Total Minus Automobile	1,066,248	1,082,244	1,095,360	1,098,912	1,113,732	1,121,669	1,140,417	1,160,514	1,061,148	1,107,418	1,169,741
Building Material, Hardware, Garden Supply, Mobile Home	74,328	78,024	83,904	85,316	86,860	85,575	87,658	90,297	74,062	85,414	92,010
Building Material and Supply	53,736	56,976	61,180	62,580	63,128	62,964	65,292	67,398	53,841	62,463	69,122
Hardware	11,116	11,572	11,416	11,268	11,856	11,911	12,288	12,519	11,092	11,613	12,555
Constant Total Millions $1982 SAAR	1,308,139	1,288,244	1,306,567	1,337,991	1,378,578	1,352,000	1,359,000	1,368,000	1,282,772	1,343,784	1,370,250
Total Minus Automobile	1,003,997	1,009,867	1,027,361	1,048,913	1,056,004	1,053,000	1,060,000	1,068,000	997,299	1,046,320	1,071,000
Building Material, Hardware, Garden Supply, Mobile Home	70,743	73,605	78,763	82,347	82,485	80,460	81,602	83,227	70,215	81,014	84,355
Building Material and Supply	51,144	53,749	57,422	60,401	59,955	58,800	60,370	61,700	51,035	59,145	62,936
Hardware	10,580	10,918	10,717	10,876	11,260	11,200	11,440	11,540	10,507	11,013	11,515
Building Materials % of Total Less Automobile ($Current)	5.04	5.26	5.59	5.69	5.67	5.61	5.73	5.81	5.07	5.64	5.91

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 13, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

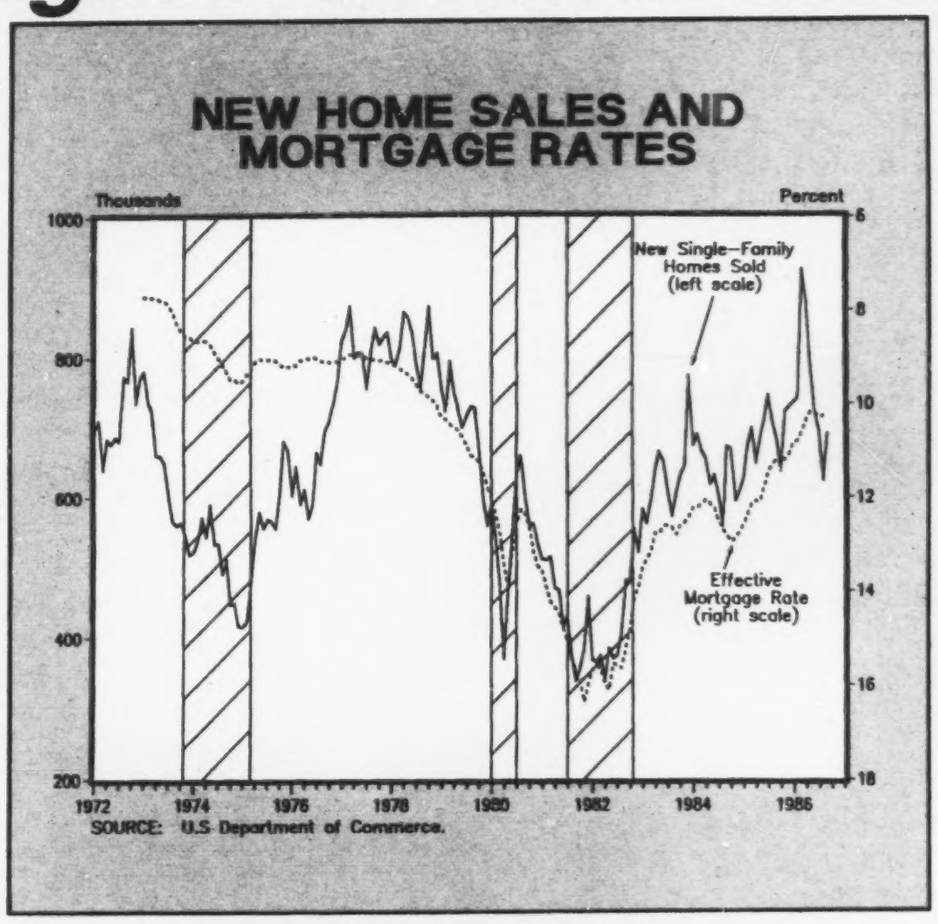
SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Building material sales sparked by 18% surge in new home sales

(Continued from page 12)

ease from this current torrid pace during 1987, although the level of sales would still exceed 1985. Home prices, in the Northeast, are now 35% above the national average and potential buyers are having increased difficulty with monthly mortgage payments.



Midwest sales

The Midwest will be the strongest market for new home sales next year, especially in the nonagricultural areas. While sales dropped sharply in the last downturn, the region has only equalled the national recovery average. Factory output will rise as the lower value of the dollar gives domestically produced goods a price advantage over imports.

South sales

The pace of new home sales has changed little since 1983 for the region, a situation that will continue into 1987. A recovery is expected by 1988. Problems in Latin America caused weak housing activity in southern Florida and Texas. The overbuilding of multiunits made single units less attractive. The drop in energy prices in early 1986 harmed the oil patch states. The fall in energy prices is past and, after local economies absorb the excess units, new home sales will rebound.

West sales

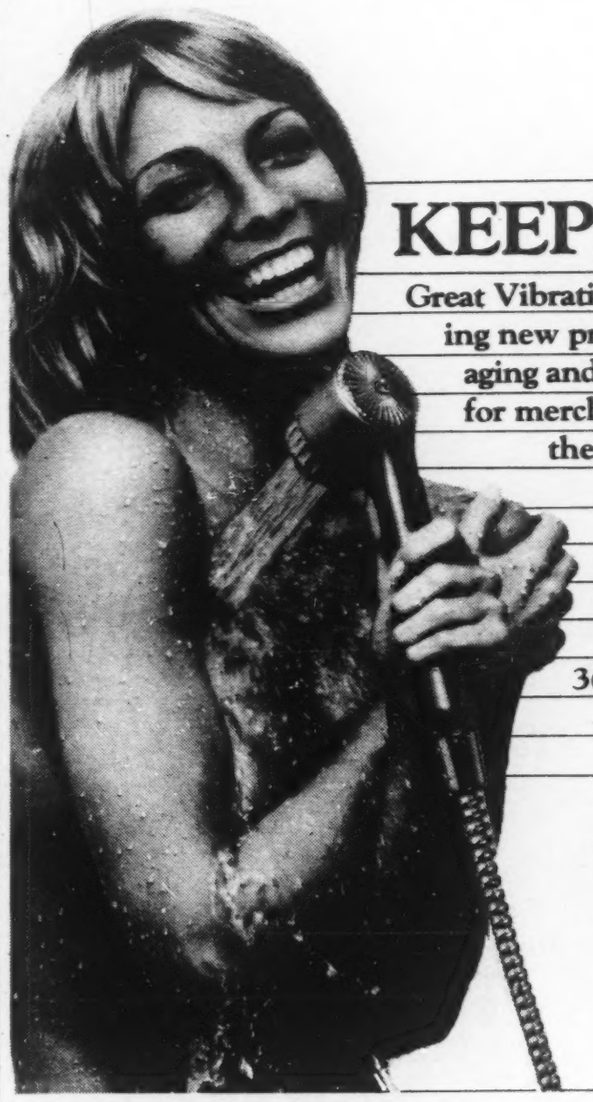
New home sales in the West are headed higher during 1987 as major industries turn about. During the first few years of the national expansion, mining in the Mountain states was troubled by imports, agriculture remained soft and then energy prices fell. The Pacific Northwest was harmed by lumber imports from Canada. California saw its high tech industry take a breather in 1986. In recent months, a lower dollar and stabilization of energy prices is beginning to boost the Mountain states. The United States imposed countervailing tariffs on Canadian lumber. High tech began to recover late in the third quarter.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Wolohan's revenues rise in third qtr.

SAGINAW, Mich. — Wolohan Lumber reported revenues of $58.8 million for the third quarter ended Sept. 30, which represented a 25% increase over the same period last year. Earnings for the same period increased 61% to $1.9 million.

Revenues increased 18% at stores open longer than one year. That increase resulted from same-store sales increases of 10% on the consumer side and 28% on the professional side.



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MANUFACTURER'S REPORT

New "Fencing Center" uses just 2 feet

PEORIA, IL — A new fence merchandising system has been designed by Keystone Steel & Wire to attract new D-I-Y customers to the company's full line of Red Brand fencing products.

A unique, free-standing, 8-panel, P-O-P "Fencing Center" prominently displays actual samples of 15 types of fence in just two feet of space. Bold graphics and easy-to-read headlines identify product categories and specific D-I-Y uses—Kennel & Garden Fence, Apron Fence, Utility Fence, Rabbit Fencing, Poultry Netting, Horse Fence and Woven Field Fence.

Seven turning panels detail how-to-use descriptions for each kind of fence. Customers can self-select which fence to buy using the panel's specification guide and D-I-Y literature. The display can stand freely or hang on self-contained hooks in any part of the store—building materials, pet supply, lawn & garden or lumber departments.

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Keystone Steel & Wire

Peoria, IL 61641

▲ *T-shaped "Roll Topper" signs (above) carry the graphic theme from fence rolls to the 24 x 29 x 12-inch display (below).*

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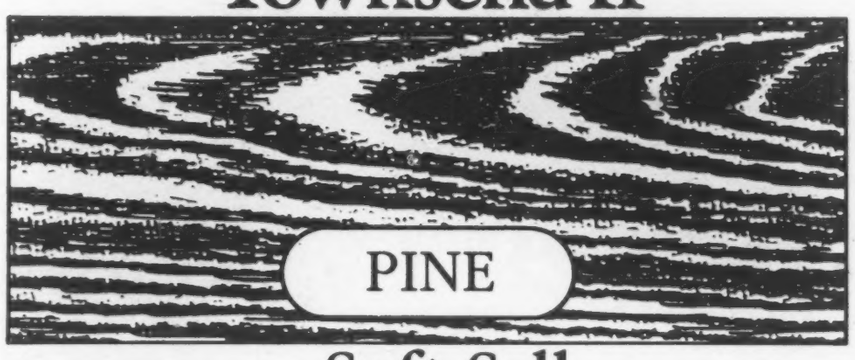

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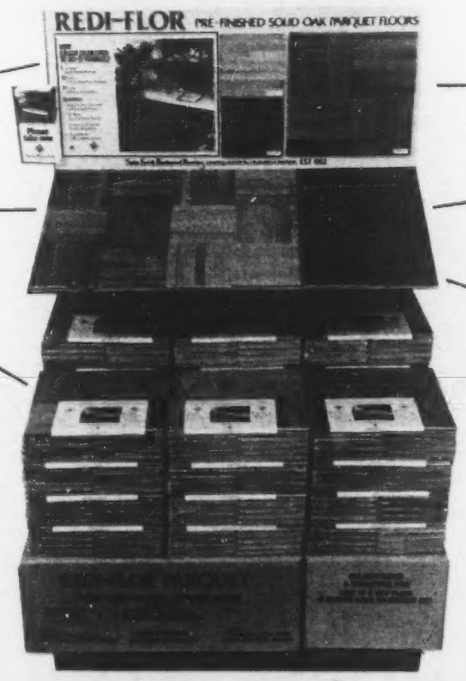
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LUMBER REPORT

Canadians stunned by ITA ruling, vow to fight until final decision

By Hawk Furman
Special to NHCN

The biggest countervailing duty case in history between the world's largest trading partners was determined, on a preliminary basis, on October 16. The International Trade Administration (ITA) imposed a 15% tariff on Canadian wood entering the U.S. The ITA found that a subsidy existed on stumpage and governmental programs. They cited a 14.582% subsidy in stumpage and the remainder of the 15% duty in federal and provincial programs.

There were complex calculations, and averaging has to be used to come up with the final duty amount. The U.S. Customs officials instructed customs brokers at ports of entry to instruct importers to post a bond on any lumber entering the U.S. from Canada on Oct. 22.

Canadian reaction

The Canadians were stunned by the ruling. The Minister of International Trade, Pat Carney, called a meeting of her provincial counterpart, lumber industry heads and a member of the International Woodworkers of America (IWA) union on Oct. 21. In a press release on the same day, Minister Carney stated: "We are all agreed that the ruling is deplorable, artificial and contrived, and does not stand up to objective analysis.

"We are determined to fight this decision with a view to having it changed when the final determination is made on Dec. 30.

"This decision, if allowed to stand, will be a very bad precedent for other resource products," she continued, "and will undermine a fundamental principle upon which international trading rules—and, indeed, U.S. trade law—have until now been based. It strikes directly at the sovereign right of governments to manage their own resources for the benefit of their people."

Up until the meeting of Oct. 21, Canadian industry, provincial, federal and union officials were not all speaking with the same voice on the tariff issue. Earlier this fall, the premier of British Columbia put his foot in his mouth when he talked about raising stumpage fees without consulting with forest industry leaders. He effectively undercut the strategy of the Canadian lumber industry led by the Council of Forest Industries. Provincial views of how to handle the tariff also differed. Leaders from all these groups have since banded together as a coalition and have agreed to speak with one voice through Pat Carney.

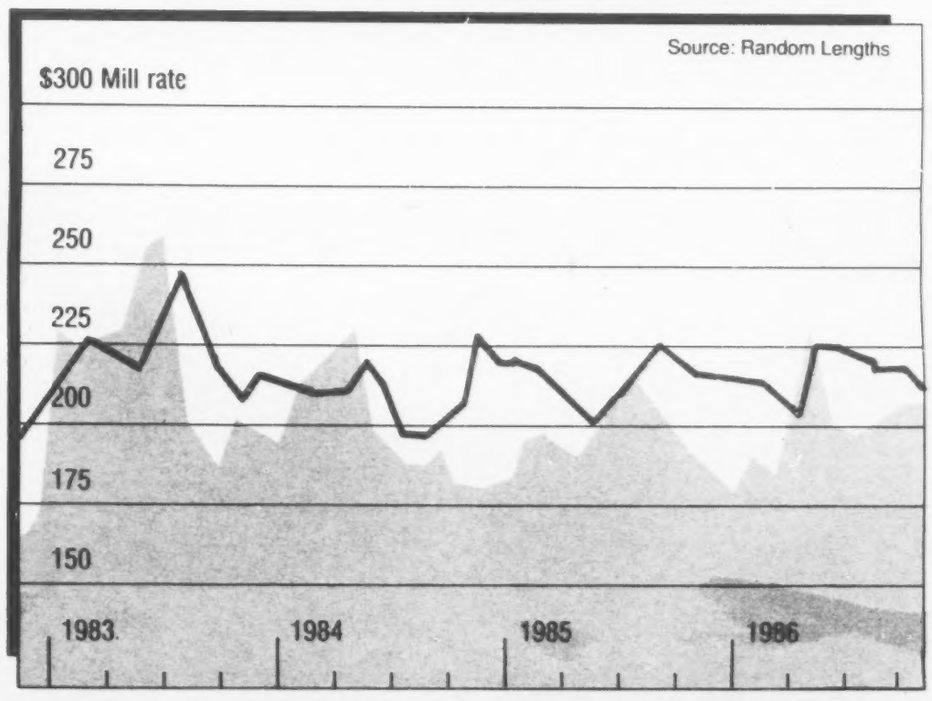
The Canadians are likely to launch their attacks in three areas. First, they will conduct research to try to prove that the numbers shown by the Commerce Department have been misrepresented. Second, they will commence legal proceedings to defend against ITA findings. Third, they will launch a public relations effort to educate American senators, congressmen and trade officials on the detrimental effects of the tariff on the American consumer.

The elections are over in the U.S. and with that comes a window of opportunity for the Canadians to state their case in a unified, persuasive manner, which could result in a reduction or elimination of the tariff.

It does not feel right that a few U.S. mills can outweigh the economic good for the American consumer. It does not feel right that the ITA—which in 1983 found in a similar countervailing duty case that no subsidy existed, and reaffirmed its decision in 1985—now discovers a subsidy. It does not feel right that the United States and Canada can achieve a free and fair trade agreement if this countervailing duty prevails. Look for the tariff to be rescinded.

Commodity close-up

Composite lumber/plywood price profile
(per thousand board feet)



Despite the end of the building season, framing lumber and plywood continued to enjoy seasonably high trading prices. Framing lumber dropped $1 from its September monthly average of $199 per thousand board feet while plywood followed suit, dropping $2 from September to an October monthly average of $220 per thousand square feet.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended 11/7

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Nov.	$194.80	$183.20	$191.20	$182.90	1,224	$194.80	$146.00
Jan. '87	$175.50	$169.80	$172.50	$172.20	3,029	$182.00	$150.00
March	$172.60	$168.00	$171.00	$171.00	883	$180.50	$153.00
May	$172.10	$168.00	$169.50	$170.50	197	$179.00	$155.50
July	$173.50	$169.50	$170.50	$172.50	52	$177.50	$155.10
Sept.	$174.00	$169.50	$170.00	$172.50	81	$177.90	$163.50
Nov.	$173.00	$170.00	$170.90	$170 90	8	$173.00	$161.40

Total Contract Vol. (Through11/7): 12,381 **Previous Two Weeks: 12,659**
Total Open Interest (As of 11/7): 5,474 **Previous Week: 5,691**
Cash Price: $200.90 **Previous Week: $193.00** **Year Ago: $145.04**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 10/9
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

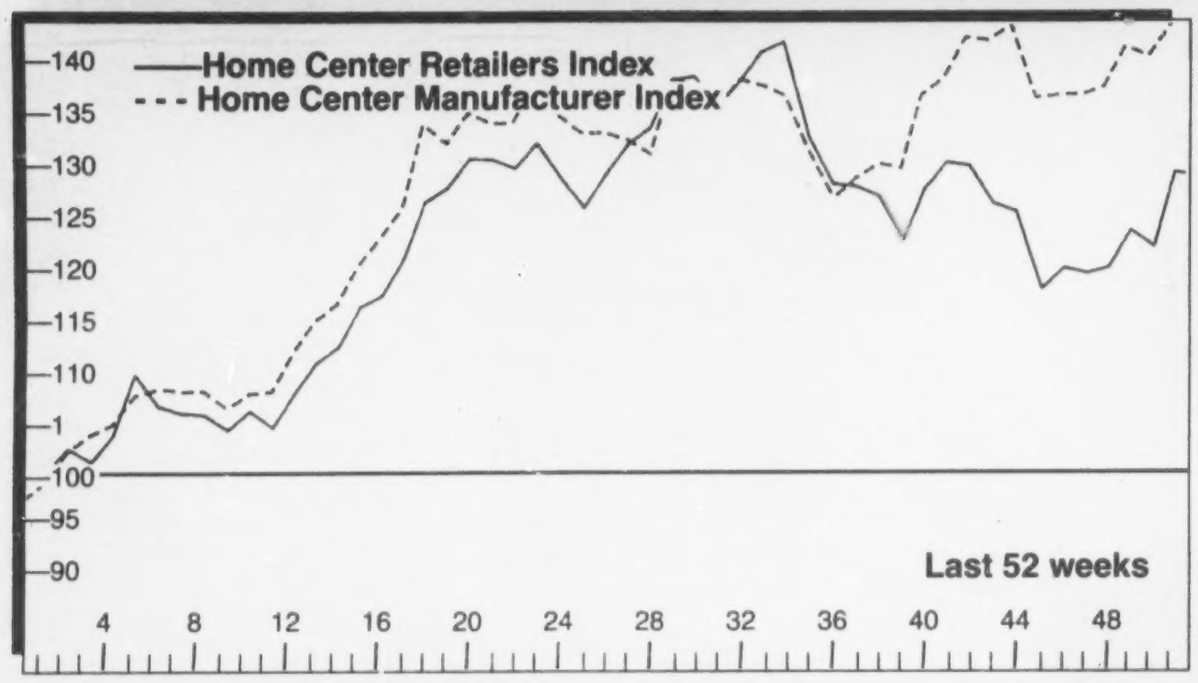
Downturn projected for '87 lumber usage

MONTEREY, Calif. — Slower economic growth in 1987 is expected to reduce lumber consumption, which should decline from a projected 46.1 billion bd. ft. this year to 44.3 billion bd. ft. next year, according to a report by the Western Wood Products Association (WWPA).

WWPA president H.A. Roberts told a group of lumber producers that a decline in multifamily construction, caused by pending tax changes and high vacancy rates, will contribute to the decline in lumber use.

The estimated rate of consumption this year, 46.1 billion bd. ft., is the third consecutive year lumber consumption has hit record levels.

FINANCIAL NEWS

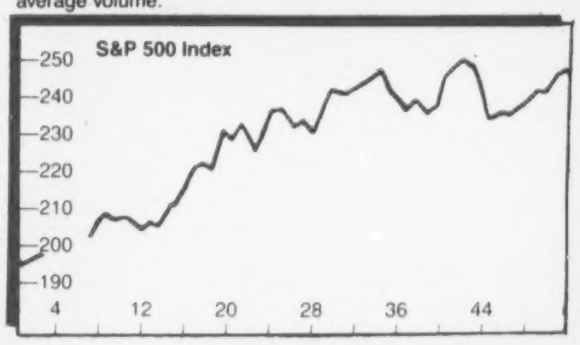


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
11-14-86	(100)	%	%
Scotty's Inc ..... N	5,425	400.0	- 2.8
Ply-Gem ..... A	7,845	338.6	18.5
Erb Lumber ..... M	822	284.4	- 6.2
Champ Intl ..... N	88,230	254.9	7.8
Mich General ..... A	4,299	247.7	.0
La Pacific ..... N	19,523	216.2	1.7
SW Forest Ind ..... N	12,068	213.1	10.2
Insilco Corp ..... N	6,747	209.5	5.7
Grace W R ..... N	39,255	203.9	- 5.9
Zayre Corp ..... N	71,766	202.7	10.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 11-14-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Ply-Gem ..... A	12.00	18.5	7,845
Pay N Pak ..... N	12.38	11.2	3,182
Stanline Inc ..... M	10.00	10.7	154
Zayre Corp ..... N	27.25	10.7	71,766
SW Forest Ind ..... N	18.88	10.2	12,068
Armstrng Wrld ..... N	61.63	7.9	5,300
Champ Intl ..... N	31.25	7.8	88,230
Emhart Corp ..... N	34.25	7.0	8,740
Insilco Corp ..... N	22.00	5.7	6,747
USG Corp ..... N	42.50	5.3	38,018
Losers	**$**	**%**	**(100)**
Allegheny Int ..... N	16.00	- 15.2	3,567
Color Tile ..... M	27.00	- 13.3	11
Genova ..... M	4.38	- 7.9	112
Georgia-Pacific ..... N	37.25	- 7.5	39,195
Lewis Palmer ..... M	7.75	- 7.5	406
Svc Merchandise ..... M	10.88	- 6.5	26,405
Erb Lumber ..... M	15.25	- 6.2	822
Grace W R ..... N	53.63	- 5.9	39,255
Wolohan Lumber ..... M	9.00	- 4.0	1,870
Masco Corp ..... N	26.88	- 3.6	23,466

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 11-14-86 $	2-Weeks Change: Amt. $	2-Weeks Change: Pct. %	2-Week Range: High $	2-Week Range: Low $	52-Week Range: High $	52-Week Range: Low $	Volume: 2-Weeks Shares Traded: Total (100)	Volume: 2-Weeks Shares Traded: % Out %	Volume: 12-Week Avg. Vol. As % Out %	Volume Trend Change %	P/E Ratio -	Indicated Divd. Rate: Amt. $	Indicated Divd. Rate: Yld. %	Latest Report: New Report -	Latest Report: Period -	Latest Report: Date Ended -	Latest Quarter: Revenue: Amt. $Mil	Latest Quarter: Revenue: Chg. %	Latest Quarter: Net Income: Amt. $Mil	Latest Quarter: Net Income: Chg. %	Latest Quarter: E.P.S.: Amt. $	Latest Quarter: E.P.S.: Chg. %	Year-to-Date: Revenue: Amt. $Mil	Year-to-Date: Revenue: Chg. %	Year-to-Date: Net Income: Amt. $Mil	Year-to-Date: Net Income: Chg. %	Year-to-Date: E.P.S.: Amt. $	Year-to-Date: E.P.S.: Chg. %
Retailers																													
Color Tile ..... M	27.00	- 4.13	- 13.3	32.00	27.00	32.00	18.88	11	.01	4.72	- 99.8	17.1	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber ..... M	15.25	- 1.00	- 6.2	17.00	15.25	19.25	8.25	822	2.46	.64	284.4	8.8	.00	.0	.....	6 mos.	06-86	60.5	13.9	2.2	- 8.3	.67	3.1	95.6	20.4	1.9	- 5.0	.57	3.6
Forest City Ent ..... A	32.13	- .75	- 2.3	32.88	32.13	33.50	22.00	26	.03	.09	- 66.7	29.2	.30	.9	.....	6 mos.	07-86	43.3	- 19.1	6.4	88.2	.80	86.0	131.3	3.2	6.6	83.3	.83	84.4
Grace W R ..... N	53.63	- 3.38	- 5.9	57.75	53.50	60.75	39.25	39,255	9.45	3.11	203.9	18.2	2.80	5.2	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Handyman ..... A	44.75	- .25	- .6	45.25	44.63	47.63	24.63	128	.50	.77	- 35.1	19.4	.20	.4	.....	6 mos.	06-86	50.2	- 2.3	2.2	- 12.0	.85	- 14.1	112.8	- .6	2.0	- 60.0	.79	- 60.1
Hechinger A ..... M	17.75	.00	.0	18.00	17.63	23.59	13.59	2,217	2.03	3.37	- 39.8	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	17.75	.00	.0	18.25	17.75	23.59	14.59	295	.18	.15	20.0	21.4	.06	.3	.....	6 mos.	07-86	162.1	25.4	8.4	16.7	.27	12.5	299.0	22.6	13.3	20.9	.43	13.2
Home Depot ..... N	18.25	- .13	- .7	19.75	17.63	21.75	10.75	10,570	4.19	1.73	142.2	29.0	.00	.0	.....	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc ..... N	44.00	.25	.6	47.00	43.50	47.63	33.50	5,705	1.99	.96	107.3	14.5	1.60	3.6	.....	6 mos.	08-86	625.7	- 2.8	23.4	.9	.74	1.4	1204.9	- 2.3	37.8	9.9	1.20	10.1
K mart Cp ..... N	51.38	2.38	4.8	54.00	49.50	57.38	33.63	55,410	4.40	2.08	111.5	22.6	1.48	2.9	.....	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos ..... N	26.63	- .63	- 2.3	30.63	26.38	41.50	22.38	21,767	5.57	2.06	170.4	16.9	.40	1.5	.....	6 mos.	07-86	657.8	10.4	21.2	1.4	.54	- 6.9	1191.8	13.7	32.6	- .6	.85	- 6.6
Mich General ..... A	1.75	.00	.0	1.88	1.25	5.25	1.25	4,299	3.79	1.09	247.7	NE	.00	.0	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods ..... M	7.50	.00	.0	8.00	7.50	9.31	5.47	37	.27	.35	- 22.9	17.4	.00a	.0	.....	6 mos.	07-86	10.9	5.8	.4	100.0	.25	25.0	17.4	2.4	.4	33.3	.28	33.3
Natl Lumber ..... M	4.63	- .13	- 2.6	5.00	4.50	7.00	4.00	591	1.05	.43	144.2	NE	.00	.0	.....	*	07-86	NC	NC	NC	NC	NC	NC	73.0	NC	(.7)	NC	(.12)	NC
Pay N Pak ..... N	12.38	1.25	11.2	12.38	10.63	19.38	9.50	3,182	3.18	2.11	50.7	19.0	.40	3.2	.....	6 mos.	06-86	108.7	20.1	1.1	- 63.3	.11	- 63.3	213.8	23.4	3.4	- 33.3	.34	- 33.3
Payless Cash ..... N	18.88	.00	.0	21.25	18.88	27.50	14.25	9,182	2.65	1.53	73.2	15.3	.16	.8	.....	9 mos.	08-86	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotty's Inc ..... N	13.00	- .38	- 2.8	13.38	12.25	18.13	12.25	5,425	3.75	.75	400.0	15.5	.52	4.0	.....	3 mos.	09-86	118.7	7.6	1.6	- 42.9	.11	- 45.0	118.7	7.6	1.6	- 42.9	.11	- 45.0
Sears, Roebuck ..... N	42.50	- .88	- 2.0	44.13	41.63	50.38	35.88	68,695	1.84	.97	89.7	11.6	1.76	4.1	.....	9 mos.	09-86	11171.3	11.2	328.1	25.1	.88	23.9	31311.8	9.3	808.3	7.6	2.17	6.9
Svc Merchandise ..... M	10.88	- .75	- 6.5	11.50	10.75	15.00	8.25	26,405	7.93	6.38	24.3	NE	.08	.7	.....	9 mos.	09-86	329.5	- 37.6	(30.3)	NE	(.92)	NE	1413.2	- .5	(68.8)	NE	(2.07)	NE
Std Brd Pnt ..... N	23.50	.38	1.6	26.00	23.00	27.00	19.13	4,315	3.81	2.83	34.6	19.6	.58	2.5	.....	6 mos.	07-86	89.2	- 6.6	4.8	- 11.1	.42	- 12.5	167.0	- 5.3	8.1	- 20.6	.71	- 22.0
Supermkts Gen ..... N	28.75	- .50	- 1.7	29.25	27.75	32.25	22.69	7,701	2.00	.91	119.8	16.0	.28	1.0	.....	6 mos.	07-86	1361.4	5.8	19.9	226.2	.52	2.0	2698.7	7.8	32.2	79.9	.86	2.4
Wickes Cos ..... A	4.50	- .13	- 2.7	4.88	4.25	7.00	4.00	112,242	4.73	1.58	199.4	16.7	.00	.0	.....	6 mos.	07-86	1111.8	32.4	20.8	114.4	.13	160.0	2106.9	36.3	36.5	748.8	.15	NE
Wolohan Lumber ..... M	9.00	- .38	- 4.0	9.75	9.00	10.75	5.25	1,870	3.19	1.32	141.7	10.8	.20	2.2	.....	9 mos.	09-86	58.7	25.4	1.9	58.3	.33	65.0	141.9	25.2	3.6	63.6	.61	60.5
Zayre Corp ..... N	27.25	2.63	10.7	28.88	24.13	43.88	20.75	71,766	12.17	4.02	202.7	19.1	.32	1.2	NEW	9 mos.	10-86	1316.4	30.5	22.9	- 15.2	.38	- 17.4	3573.6	32.6	48.6	- 16.5	.81	- 19.0
Wholesalers																													
Lewis Palmer ..... M	7.75	- .63	- 7.5	8.50	7.75	9.88	7.13	406	1.04	1.20	- 13.3	25.0	.28	3.6	.....	6 mos.	07-86	46.6	24.3	.4	100.0	.12	100.0	80.4	14.0	.5	150.0	.14	133.3
Stanline Inc ..... M	10.00	.97	10.7	10.00	8.56	12.13	6.91	154	.91	.75	21.3	12.0	.27b	2.7	.....	9 mos.	07-86	16.4	18.0	.5	66.7	.25	8.7	43.8	5.5	1.1	22.2	.61	- 9.0
Manufacturers																													
Allegheny Int ..... N	16.00	- 2.88	- 15.2	18.88	15.50	25.88	11.38	3,567	3.31	3.02	9.6	NE	.00	.0	NEW	9 mos.	09-86	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Standard ..... N	40.88	.75	1.9	41.75	40.25	46.88	32.88	7,667	2.04	1.49	36.9	8.1	1.60	3.9	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark ..... M	13.25	.50	3.9	13.75	12.75	14.75	10.00	426	.69	.74	- 6.8	13.5	.00	.0	.....	3 mos.	07-86	28.4	16.9	1.8	63.6	.30	36.4	28.4	16.9	1.8	63.6	.30	36.4
Armstrng Wrld ..... N	61.63	4.50	7.9	62.38	56.50	69.88	39.63	5,300	2.20	1.42	54.9	12.9	1.68	2.7	.....	9 mos.	09-86	506.0	13.3	35.6	26.7	1.47	25.6	1423.9	13.6	92.3	17.9	3.82	17.2
Black & Decker ..... N	17.25	.00	.0	18.00	16.75	25.25	14.50	19,095	3.29	1.74	89.1	26.1	.40	2.3	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade ..... N	61.75	1.25	2.1	62.63	60.25	62.63	43.25	7,732	2.64	1.69	56.2	21.4	1.90	3.1	.....	9 mos.	09-86	959.5	2.7	13.3	- 34.5	.38	- 41.5	2821.2	- .8	69.6	- 18.4	2.28	- 19.7
Certain-teed ..... N	30.00	.88	3.0	30.25	29.00	38.50	22.63	1,682	.89	.54	64.8	10.0	.90	3.0	.....	9 mos.	09-86	304.5	.1	19.9	8.7	1.04	11.8	845.6	- .3	46.6	8.4	2.45	12.4
Champ Intl ..... N	31.25	2.25	7.8	32.75	28.25	32.75	22.50	88,230	9.37	2.64	254.9	17.8	.52	1.7	.....	9 mos.	09-86	1110.9	- 16.5	63.8	68.3	.68	83.8	3329.6	- 27.2	136.3	9.0	1.39	13.9
DeSoto Inc ..... N	39.25	.38	1.0	39.38	38.38	41.38	33.63	568	1.19	.63	88.9	29.5	1.40	3.6	.....	9 mos.	09-86	107.7	- 1.4	(3.8)	- 100.0	(.80)	- 100.0	336.0	1.8	3.5	- 69.0	.73	- 69.2
Emhart Corp ..... N	34.25	2.25	7.0	34.38	31.13	42.63	27.88	8,740	2.82	1.06	166.0	NE	1.40	4.1	.....	9 mos.	09-86	472.6	12.2	(71.2)	- 100.0	(2.30)	- 100.0	1510.1	17.0	(33.4)	- 100.0	(.98)	- 100.0
Genova ..... M	4.38	- .38	- 7.9	4.63	4.38	5.88	4.38	112	.29	.16	81.3	9.9	.10	2.3	.....	9 mos.	06-86	14.5	2.1	.7	75.0	.19	111.1	35.9	.0	.9	12.5	.24	20.0
Georgia-Pacific ..... N	37.25	- 3.00	- 7.5	40.50	37.13	40.50	23.50	39,195	3.78	2.33	62.2	19.4	1.00	2.7	.....	9 mos.	09-86	1909.0	9.0	97.0	67.2	.90	73.1	5442.0	6.2	213.0	22.4	1.94	24.4
Insilco Corp ..... N	22.00	1.19	5.7	22.50	20.38	23.56	16.66	6,747	3.25	1.05	209.5	16.9	.95b	4.3	.....	9 mos.	09-86	195.5	- 6.5	7.0	18.6	.27	- 3.6	572.9	- 10.1	25.3	12.4	1.14	.0
La Pacific ..... N	29.88	.50	1.7	31.75	29.38	31.75	20.41	19,523	5.28	1.67	216.2	19.7	.80b	2.7	.....	9 mos.	09-86	407.4	22.6	22.2	96.5	.60	93.5	1124.0	18.5	48.1	157.2	1.31	156.9
Macmillan Bloedel ..... M	30.13	.88	3.0	30.88	29.00	30.88	13.63	318	.10	.05	100.0	NA	.75	NA	NEW	9 mos.	09-86	657.6	10.1	31.7	162.0	.74	311.1	1989.5	13.6	110.0	388.9	2.73	2630.0
Manville Cp ..... N	2.38	.00	.0	2.50	2.25	8.88	2.00	6,481	2.70	1.65	63.6	1.0	.00	.0	.....	9 mos.	09-86	511.1	8.4	26.7	NE	.85	NE	1457.2	3.7	63.9	NE	1.88	NE
Masco Corp ..... N	26.88	- 1.00	- 3.6	29.00	26.50	34.50	17.88	23,466	1.82	1.06	71.7	19.1	.36	1.3	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds ..... M	14.00	.50	3.7	14.00	13.25	19.25	12.00	106	.42	.51	17.6	15.6	.01	.1	NEW	9 mos.	09-86	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co ..... N	28.13	.75	2.7	29.50	27.25	36.75	21.00	1,990	1.74	.85	104.7	13.1	.84	3.0	.....	9 mos.	09-86	106.3	15.3	7.4	37.0	.64	6.7	295.9	16.8	16.6	23.9	1.54	4.1
Owens Ill Fibr ..... N	.00	NC	NC	23.97	23.97	NC	.00	0	.00	NC	NC	NA	.00	NC	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	12.00	1.88	18.5	12.00	10.00	15.50	10.00	7,845	9.78	2.23	338.6	13.8	.12	1.0	.....	9 mos.	09-86	59.2	49.9	1.6	45.5	.16	.0	168.9	37.3	6.0	93.5	.72	41.2
Pope & Talbot ..... N	22.13	.13	.6	22.63	21.75	24.75	17.25	1,000	1.67	.83	101.2	16.6	.80	3.6	.....	9 mos.	09-86	78.1	- 4.8	4.3	115.0	.72	111.8	228.3	- 8.8	7.4	21.3	1.23	21.8
Potlatch Cp ..... N	56.50	.75	1.3	58.88	55.75	61.00	34.25	1,372	1.03	.72	43.1	14.9	1.68	3.0	.....	9 mos.	09-86	249.9	4.3	16.7	47.8	1.18	81.5	733.1	1.4	49.8	49.5	3.53	82.9
Sherwin-Wms ..... N	27.38	.38	1.4	29.50	26.13	32.25	20.19	9,697	2.15	1.04	106.7	15.8	.50	1.8	.....	9 mos.	09-86	604.1	4.4	32.3	11.0	.70	11.1	1705.1	1.6	69.7	10.1	1.50	8.7
SW Forest Ind ..... N	18.88	1.75	10.2	19.50	17.25	19.50	9.88	12,068	9.83	3.14	213.1	NE	.00	.0	.....	9 mos.	09-86	160.6	- 11.6	4.1	NE	.30	NE	461.6	- 13.1	(7.9)	NE	(.89)	NE
Stanley Works ..... N	27.00	.75	2.9	28.25	26.00	30.94	20.00	4,861	1.17	.60	95.0	13.9	.76	2.8	.....	9 mos.	09-86	388.3	30.7	20.1	3.6	.48	2.1	1115.1	25.9	55.3	5.1	1.32	3.1
Thos Inds ..... N	19.00	- .38	- 1.9	19.50	19.00	26.75	17.50	925	1.03	.77	33.8	12.4	.88b	3.6	.....	9 mos.	09-86	72.7	- 8.1	2.1	- 57.1	.24	- 57.1	220.6	- 4.9	9.6	- 20.0	1.07	- 20.7
USG Corp ..... N	42.50	2.13	5.3	42.75	37.13	46.50	20.31	38,018	5.98	3.02	98.0	12.4	1.12	2.6	.....	9 mos.	09-86	653.9	- .5	41.1	- 37.4	.65	- 33.7	2028.6	7.3	169.0	- .5	2.61	2.8
Walter, Jim ..... N	47.13	2.00	4.4	50.50	45.25	54.63	30.41	11,450	3.61	1.66	117.5	10.2	1.40	3.0	.....	fiscal	08-86	1741.4	177.3	100.1	160.7	3.38	141.4	2368.3	3.3	138.6	24.1	4.64	13.4
Waxman Ind ..... M	15.50	.25	1.6	15.75	15.00	17.13	10.25	338	1.07	1.07	.0	16.1	.08	.5	.....	3 mos.	09-86	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weyerhaeuser ..... N	38.88	- .25	- .6	40.25	38.13	40.25	28.50	34,345	2.63	1.40	87.9	23.7	1.30	3.3	.....	9 mos.	09-86	1397.3	8.2	62.2	61.1	.44	83.3	4201.4	5.9	180.6	32.3	1.21	36.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National
Home Center News ®

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Inquiry launched into Canadian Tire dealer stock purchase

By John Caulfield
NHCN staff editor

TORONTO — The Ontario Securities Commission began hearings on Dec. 18 to determine the fairness of a bid by Canadian Tire dealers to acquire nearly half of the common shares of their company, which is Canada's largest hard lines retailer.

Controlling interests in the $2 billion chain have, in essence, accepted an offer made by the company's Dealers Holdings Ltd., which represents 348 of CT's 361 dealers, to buy 49% of the company's 3,450,000 shares of voting stock. These dealers already own 17.4% of the company's common shares.

Simultaneously, these interests have rejected an informal bid made by Cara Operations, a food services and res-

(Continued on page 58)

O'Malley, in shift to pro biz, fires retail gm, nine others

By Brad Altman
NHCN staff editor

PHOENIX — In a major shift away from consumer-focused management, directors of O'Malley Lumber Cos.' Retail Division last month fired the head of the division and nine other headquarters employees.

Company officials said there would be stronger emphasis on the contractor-oriented commodities side of the business at the Retail Division's 16 Building Materials Centers, which have been suffering eroding market share and declining profits.

The top official to get axed is Richard Passaglia, who joined O'Malley last January as general manager of the Retail Division after serving in management positions at such DIY-oriented chains as Builders Square, Grace West and Wickes.

Passaglia was a strong proponent of boosting O'Malley's consumer business and, in recent months, had authorized capital expenditures to upgrade store interiors that apparently met with resistance

(Continued on page 57)

O'Malley's is abandoning its consumer-oriented thrust, which had been led by retail gm Richard Passaglia. NHCN photo

Plywood Minn. pres. retires; health cited

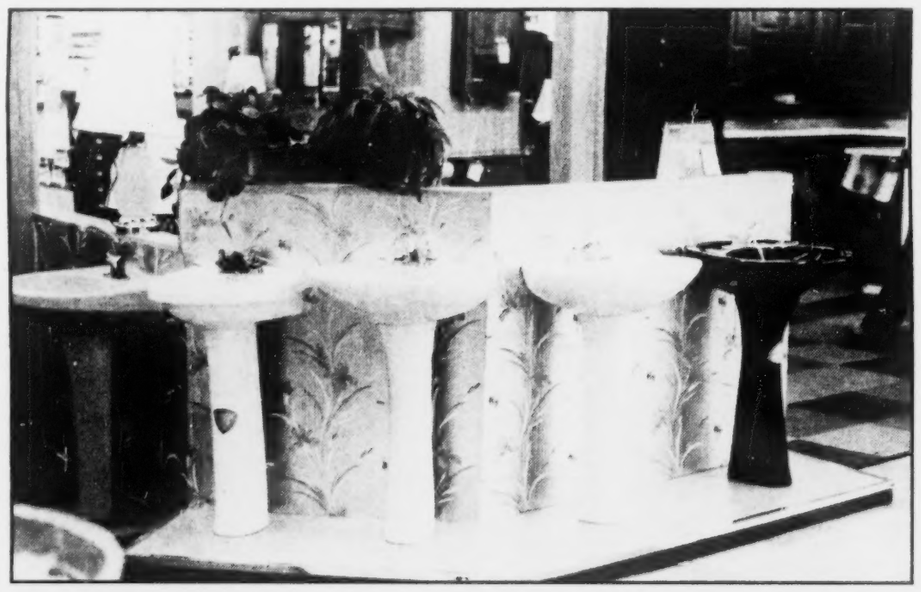
By Gary S. Ruderman
NHCN staff editor

CHICAGO — Mary Baim, president of the eight Plywood Minnesota stores in the Chicago area, retired in November and passed management of the company to her former merchandising vp.

Health reasons were cited for her decision to step down from her post.

The change occurs at a pivotal time for Plywood Minne-

(Continued on page 58)



Many New England-based home centers like Serv-U Hardware in Springfield, Mass., are appealing to a wider consumer base with a broader assortment of bath and kitchen products. NHCN photo

Dealers in New England post dynamic sales gains

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT — Home centers in New England had a dynamic year in 1986, recording sales increases of between 14% and 40% above 1985.

Both retail and builder sales rose rapidly in a healthy economy where year-end housing starts are projected to run 21% above 1985 at 304,000 units, according to the National Association of Home Builders (NAHB). The association predicts that single-family building will remain strong in 1987, but that total starts will fall by 11% in the Northeast due to a major decline in multifamily building.

Retailers project that strong sales will continue into the first and second quarter of 1987 with the continued low interest rates. Some expressed concern over the strength of the second home market and the slight softening in sales since October,

(Continued on page 57)

Builders Sq. units to compete against Depot in Atlanta

By Phillip M. Perry
NHCN staff editor

ATLANTA — Builders Square has requested bids from general contractors for the construction of two warehouse stores in this city. A builder for the stores was expected to be selected by the end of last month.

The move represents the first time The Home Depot is being challenged on its home turf by another operator of warehouse stores. Depot originated the warehouse home center concept in this city in 1979, and still maintains its headquarters here.

The two Builders Square units are slated to hold their grand openings on August 3, according to leases held by Hooker Barnes, an Atlanta real estate firm that owns the two shopping centers where the stores will be located.

"We're going to give them a Home Depot welcome—and you can put the word welcome in quotation marks," said Arthur Blank, president of Home Depot, which operates six stores in the market.

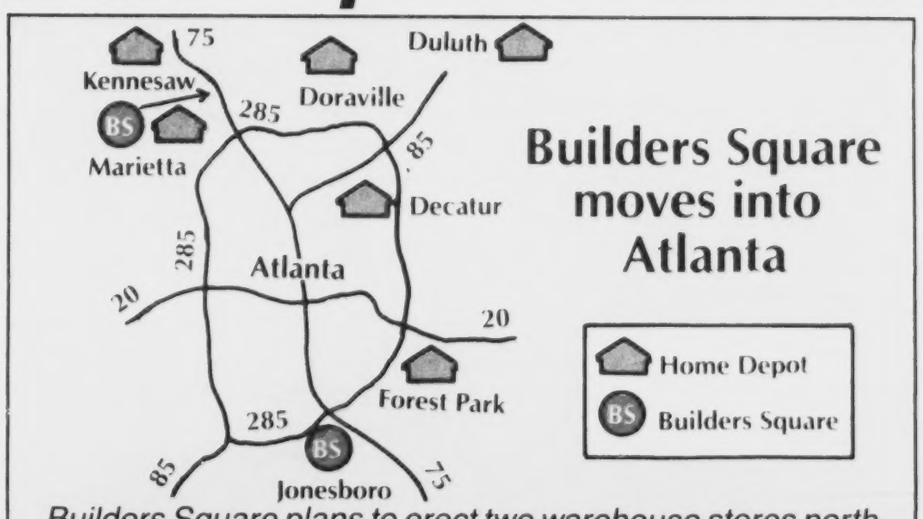
Each of the Builders Square stores will have 80,160 sq. ft. of showroom space, and an attached garden center, according to Richard L. Bowen and Associates, the Cleveland architectural firm that drew up the plans.

Both new stores are scheduled to be built in fast-growing sections of the city.

One store is slated for the intersection of Powers Ferry Road and Upper Roswell Road in the northern suburb of Marietta, Ga. The store will be part of a new mall called Cobb Crossing.

The second is to be located at the intersection of Upper Riverdale Road and Tara Boulevard in the southern suburb

(Continued on page 57)



Builders Square plans to erect two warehouse stores north and south of the city, in a first attack on Home Depot's home territory. NHCN map

INSIDE

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In the retail trenches with 'employee' David Stanley 25

Geometry helps shape up decorative windows 23
Steel doors steal market share from wood 28

NEWSBREAKS

FORMER KNOX EXECS BUY AUTO PARTS CHAIN: Jim Hartman, Larry Platt, Mel Maurer and Jean Walhman have purchased Propper Oil-Co., which operates 30 automotive stores under the name 10,000 Auto Parts. Hartman will be the new firm's ceo and Platt its chairman.

CENTRAL HARDWARE BUYS FOUR MR. HOW'S: The St. Louis-based chain acquired two Mr. HOW stores each in the Cincinnati and Nashville markets Dec. 23 from Service Merchandise for an undisclosed sum.

INDUSTRY UPDATE

Payless executes inventory plan

KANSAS CITY, Mo. — Payless Cashways, the $1.5 billion chain of building material stores based here, will implement the second major phase of its systems conversion this spring when all 180 of its units begin using a perpetual inventory system.

Currently, Payless stores track sales by stockkeeping unit at point of sale. When the chain goes up on perpetual inventory this year, the stores will also be able to purchase and receive by sku, providing the retailer with up-to-the-minute sku-specific information on cost, inventory level and sale rate. "Our service desk clerks will no longer have to check the stock to see if we have an item," said Payless chairman David Stanley. "It's all right there on the CRT."

Stanley said the enhancement of the system will dramatically improve customer service and provide better balance to the chain's inventory.

Wickes closes C&A deal

SANTA MONICA, Calif. — Wickes Cos. said last month it had acquired over 20 million shares of Collins & Aikman, in line with its previously announced friendly takeover of that firm. The acquired stock represents about 92% of the outstanding shares of the target company.

Wickes said it acquired Collins as part of an overall restructuring plan (*NHCN*, Dec. 1).

Under terms of the merger, holders of Collins stock are scheduled to receive a cash distribution of $53 per share in early 1987.

Revelstoke splits in two

CALGARY, Alberta — Revelstoke, the 70-unit home improvement retailer based here, officially separated its business into two separate operating divisions effective Jan. 1, the company announced.

Now the retailer is composed of a 56-unit rural store division, called the Building Center Division, run by Gordon Roberts, executive vp and coo, and a 14-unit urban Home Center/Superstore Division, operated by Brian Spong, executive vp and marketing chief.

Keith McDowell, senior vp and secretary/treasurer, added that Revelstoke's Superstore division will be expanded eastward into Ontario in 1987.

The Revelstoke board of directors approved the separation of the retailer into two divisions at its Nov. 24 meeting, McDowell said. But the decision to make the division came last August (*NHCN*, Nov. 3).

Rickel continues to grow

NEW YORK — Rickel Home Centers will continue its "stepped up" expansion program this year, opening up to six new home centers, bringing its total to 54, and completing eight major renovations in 1987, according to Leonard Lieberman, chairman, president and ceo of the home center chain's parent company, Supermarkets General Corporation.

In a presentation to a group of security analysts here last month, Lieberman announced the parent company's record capital expansion plan of $220 million for fiscal 1987. Supermarkets General operates the Pathmark and Purity Supreme supermarket chains, as well as a drug store division. Last year, SGC devoted some 15% of its $200 million capital expenditure program to Rickel.

The chain opened six new stores last year. Sales grew some 7% to $408 million for the year ended Nov. 1, 1986.

Home center stocks slip

NEW YORK — The two-week period before Christmas saw home center industry stocks slip as 37 issues declined, 18 gained and two remained unchanged.

The biggest loser in the period ended Dec. 12 was Michigan General, the parent of Diamond Lumber, whose stock fell 23.1% to close at $1.25. Color Tile, which is owned by Michigan General's controlling interest General Felt, was off 12.5% to $28.

On the plus side, the biggest gainer was Owens-Corning Fiberglas, whose stock rose 16.7% in the period to $12.25. Among retailer stocks, only National Hardgoods and Forest City Enterprises showed gains, albeit marginal, during this two-week stretch.

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Emhart Corp. appoints Campbell new consumer group president

By an NHCN staff editor

FARMINGTON, Conn. — Richard Campbell has been named to the new position of president of Emhart Corporation's $400 million consumer group. He is also now a corporate vice president.

Having joined the firm as a vp from Black & Decker in 1984, the 50-year-old Campbell will oversee one of Emhart's core businesses as the corporation moves ahead with its $150 million restructuring program, the details of which, were outlined last month.

In a related development, Stephen Ruffi, a 31-year veteran of Emhart, will resign from the company on April 24. Ruffi, 59, was Emhart's vice chairman and chief administrative officer but was passed over for the chairman and ceo slot when Peter Scott was brought in from United Technologies 13 months ago to run the company.

Emhart will sell 16 of its businesses and eliminate 1,100 jobs. It intends to reduce expenses worldwide by $20 million this year and $30 million annually thereafter. Scott described these cutbacks, in a prepared statement, as an "integral part of a worldwide campaign to realign the company's assets and resources."

The businesses to be sold represent an estimated $250 million in annual volume for the company and are located in eight U.S. states and four foreign countries. The businesses Emhart is getting out of make such items as spindles, time clocks, fire and security

(Continued on page 57)

Grossman's shuts units on each coast

By Laura Liebeck
NHCN staff editor

BRAINTREE, Mass. — Grossman's Inc. has decided to shutter two units, including a warehouse store that it had opened 18 months earlier.

These closings come several months after company president Mike Grossman said that the 272-unit retailer would begin reviewing its inventory of stores and close the unprofitable ones.

The Braintree, Mass.-based retailer closed its Moore's 60,000-sq.-ft. warehouse unit in Virginia Beach, Va., on Dec. 6, about a year and a half after opening the warehouse store in the seaside resort town. A month earlier, on Nov. 7, it also closed the doors to its Santa Rosa, Calif., yard.

Both markets are hotbeds of competition. In Virginia Beach, Moore's faced Home Quarters Warehouse, Hechinger, Lowe's and Builders Square (which acquired the Mr. HOW unit) plus independents. The Santa Rosa store competed against HomeClub, which opened last spring; several independents; and Handyman, which is being closed.

Stanley Berman, executive vp of Grossman's Inc., said the store closings should not be construed as anything more than "isolated" incidents. However, Grossman's has not slated any other stores to close. But additional closings have not been ruled out.

The Grossman's organization, which emerged from Chapter 11 in late November, currently includes 85 Moore's units, 156 Grossman's stores plus 28 units in the Pacific Northwest and three in the Southwest. But the total is growing.

During the early part of the second quarter, Berman said Grossman's will open its long-awaited 60,000-sq.-ft. warehouse club store in Hollywood, Calif., the fourth such unit for the company. The company, he added, will be "watching" this store, possibly to expand on the concept.

The closing of the unit in Virginia Beach does not necessarily mean that Grossman's is withdrawing from the market. Although Grossman's only leased the space for its warehouse store, it still owns the land on which its Moore's store, the precursor to its warehouse unit, was located.

Berman declined to speculate on what the company will do with the land but did say that Grossman's "hasn't decided" what it will do, that it is "leaving our options open."

Menards comes out ahead in survey

By an NHCN staff editor

MINNEAPOLIS — A home center shopping survey by a Minneapolis television station angered a retailer enough to pull its advertising from the station.

WCCO-TV consumer reporter Jim Newman shopped Menards, Builders Square, Knox Lumber, Budget Power and Justus Lumber in this market for six identical, brand name tools and three lumber items. The show aired Newman's findings on a Nov. 26, 1986, broadcast.

Menards total price for the nine items was the lowest, $24.67 cheaper than the highest-priced store surveyed, the single unit Justus Lumber. Budget Power, an eight-unit chain based in Hopkins, Minn., was the second most expensive behind Builders Square and Knox. Budget Power was enraged by the results.

Julie Clifford, Budget Power's account representative at WCCO, confirmed that the retailer discontinued its schedule for the fourth quarter of 1986 because of the survey results.

Jim Anderson, account executive at Budget Power's ad agency Cohen, Okerland and Smith, said the number and type of items shopped at the retailer didn't reflect Budget Power's plumbing and electrical niche in the Twin Cities market.

Newman, the WCCO reporter, said the station's reve-

(Continued on page 4)

WCCO Reports You Can Save Over 26% By Shopping Menards Every Day Low Prices!
ITEMS CHECKED IN THE WCCO SURVEY
• STANLEY 25' POWER LOCK II
• BLACK & DECKER 3/8" POWER DRILL
• STANLEY WOOD CHISEL
• MASTER PADLOCK
• STANLEY QUICK-CHANGE UTILITY KNIFE
• 2 x 4-16' DIMENSION LUMBER
• STANLEY SURFORM PLANE
• 7/16" 4' x 8' WAFERBOARD
• 2 x 4 -92-5/8" STUD
MENARDS TOTAL $67.59
STORE A TOTAL $76.85
STORE B TOTAL $78.37
STORE C TOTAL $89.87
STORE D TOTAL $92.26

Menard s ran a newspaper ad touting findings by a Minneapolis TV station showing the chain to have the lowest competitive prices compared with four other chains.

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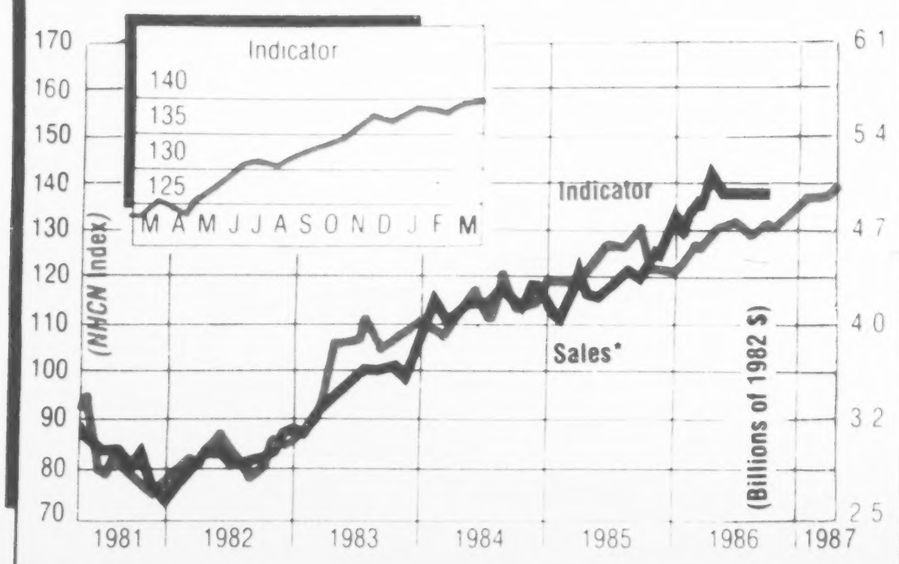
BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN *Leading Indicator is projecting an increase in building material sales in the first half of 1987. Resales were strong during September and October of 1986, while single family housing starts will recover as interest rates decline.*

Housing activity to increase building material sales in '87

By Richard E. Mount
Special to NHCN

Building material retail sales will increase an additional 11% in 1987, after the strong 16% gain in 1986. Housing developments in the second half of 1986 and in the opening months of 1987 will boost building material demand throughout the year.

Richard E. Mount

GNP

Economic growth will accelerate throughout 1987, from 1.3% in the first quarter to 3.5% in the fourth. The drop in the dollar will make domestic production and exports stronger and imports weaker. Increased production will raise capacity utilization rates, and, as business adjusts to the new tax bill, capital spending will pick up.

Interest rates

Interest rates are headed lower in the first half of 1987. Economic growth will slow from a contraction in office and apartment construction and a payback from the 1986 automobile sales incentives.

Slower growth will cut borrowing needs and the Federal Reserve will cut the discount rate. Mortgage rates will decline to 9.4% by the second quarter, boosting interest rate-sensitive markets. Rates will rise marginally in the second half when the economy accelerates, but the strength in consumer incomes will offset this development. Major alterations work to existing structures will do well in 1987.

Housing

Housing starts have been

(Continued on page 18)

General Business Conditions

	1985		1986				1987		1985	1986	1987
	QIII	QIV	QI	QII	QIII	QIV	QI	QII			
***NHCN* Leading Sales Indicator** (January 1980 = 100)	121.0	123.4	124.7	127.9	132.1	136.5	138.2	140.6	118.5	130.3	140.8
General Economic Outlook											
GNP $1982 Billion	3,603.8	3,622.3	3,655.9	3,661.4	3,687.3	3,697.8	3,710.1	3,727.0	3,585.2	3,675.6	3,743.4
Real Disposable Income $1982 Bil.	2,524.7	2,540.7	2,581.2	2,625.8	2,611.2	2,616.8	2,634.7	2,647.1	2,528.0	2,608.8	2,656.6
Housing Permits (000 SAAR)	1,762	1,741	1,834	1,822	1,682	1,650	1,550	1,610	1,739	1,767	1,621
Housing Starts (000 SAAR)	1,688	1,773	1,988	1,908	1,760	1,670	1,650	1,680	1,742	1,832	1,704
New Home Sales (000 SAAR)	711	696	800	796	670	700	715	725	686	742	740
Resales (000 SAAR)	3,360	3,500	3,257	3,470	3,617	3,650	3,500	3,500	3,216	3,499	3,513
Prime Rate %	9.5	9.5	9.4	8.6	7.9	7.4	7.0	6.7	9.9	8.3	6.7
Mortgage Rate % (HUD)	12.1	11.8	10.8	10.1	10.2	9.9	9.6	9.4	12.5	10.3	9.5
Consumer Price Index (1967 = 100)	323.0	326.5	327.7	326.3	328.4	330.8	333.5	336.5	322.1	328.3	338.3
Producer Price Index (1967 = 100)	293.1	296.4	292.0	288.0	288.3	290.1	292.7	295.7	293.9	289.6	297.2
New Housing Affordability 1980-100)	120.7	120.5	128.6	127.1	128.9	132.2	133.4	135.4	117.6	129.2	134.8
Residential Alterations and Repairs											
Current Total $ millions SAAR	77,800	90,600	84,965	87,508	90,543	92,903	94,567	96,069	80,267	88,980	97,902
Maintenance and Repair	33,200	39,800	37,586	38,675	39,781	40,907	41,683	42,100	35,358	39,237	42,855
Additions and Alterations	29,800	30,400	29,910	30,833	31,861	32,543	32,869	33,754	28,775	31,287	34,305
Major Replacements	14,700	20,400	17,470	18,001	18,901	19,453	20,015	20,215	16,134	18,456	20,742
Constant Total Millions $1977 SAAR	45,368	51,857	48,150	49,100	50,300	51,100	51,500	51,800	46,985	49,663	52,513
Maintenance and Repair	19,385	22,780	21,300	21,700	22,100	22,500	22,700	22,700	20,719	21,900	22,988
Additions and Alterations	17,400	17,400	16,950	17,300	17,700	17,900	17,900	18,200	16,775	17,463	18,400
Major Replacements	8,583	11,676	9,900	10,100	10,500	10,700	10,900	10,900	9,491	10,300	11,125
Retail Trade Activity											
Current Total $ millions SAAR	1,399,296	1,388,316	1,404,932	1,421,400	1,477,320	1,463,091	1,485,373	1,510,162	1,373,941	1,441,686	1,520,377
Total Minus Automobile	1,066,248	1,082,244	1,095,360	1,098,912	1,111,800	1,122,370	1,141,130	1,161,239	1,061,148	1,107,111	1,170,471
Building Material, Hardware, Garden Supply, Mobile Home	74,328	78,024	83,904	85,316	86,756	85,411	87,490	90,125	74,062	85,347	91,834
Building Material and Supply	53,736	56,976	61,180	62,580	63,108	62,846	65,169	67,271	53,841	62,428	68,992
Hardware	11,116	11,572	11,416	11,268	11,828	11,888	12,264	12,495	11,092	11,600	12,531
Constant Total Millions $1982 SAAR	1,308,139	1,288,244	1,306,567	1,337,991	1,378,800	1,352,000	1,359,000	1,368,000	1,282,772	1,343,840	1,370,250
Total Minus Automobile	1,003,997	1,009,867	1,027,361	1,048,913	1,053,514	1,053,000	1,060,000	1,068,000	997,299	1,045,697	1,071,000
Building Material, Hardware, Garden Supply, Mobile Home	70,743	73,605	78,763	82,347	82,544	80,460	81,602	83,227	70,215	81,028	84,355
Building Material and Supply	51,144	53,749	57,422	60,401	60,049	58,800	60,370	61,700	51,035	59,168	62,936
Hardware	10,580	10,918	10,717	10,876	11,255	11,200	11,440	11,540	10,507	11,012	11,515
Building Materials % of Total Less Automobile ($Current)	5.04	5.26	5.59	5.69	5.68	5.60	5.71	5.79	5.07	5.64	5.89

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
January 12, 1987

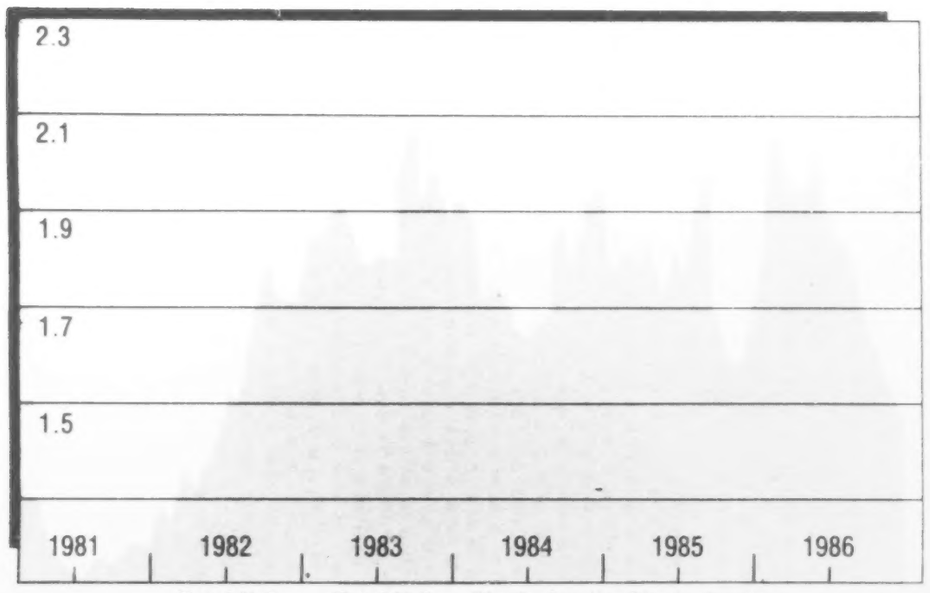
The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

National housing starts and permits

(seasonally adjusted annual rates, in millions)



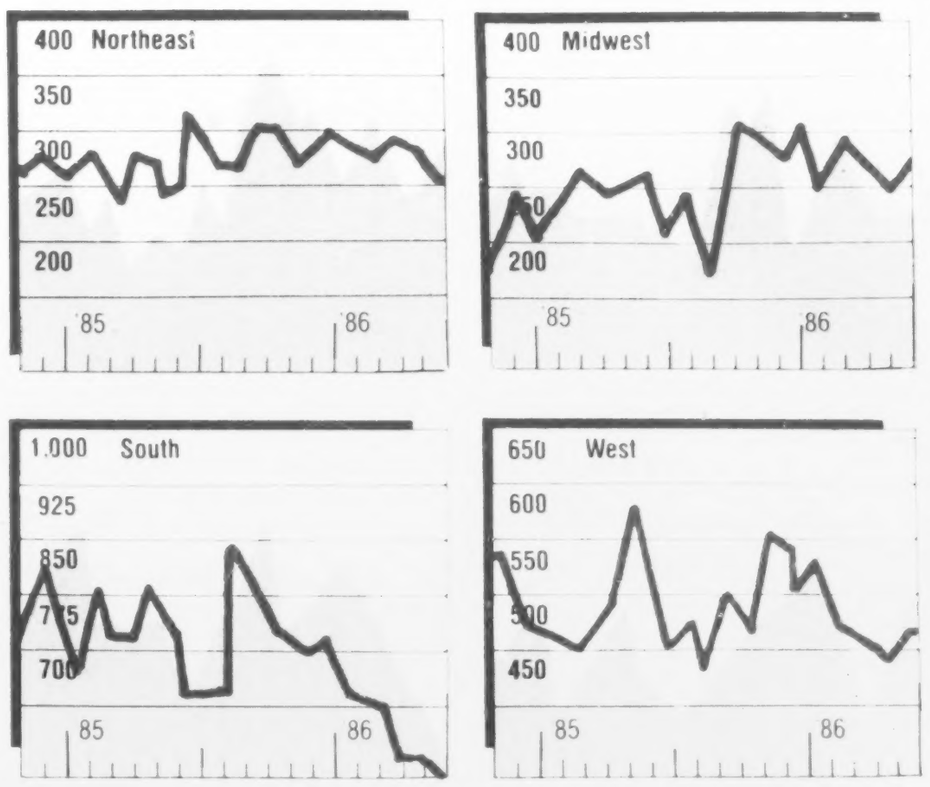
	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
Nov. '86	1,598	1,592	1,093	973
Oct. '86	1,628	1,565	1,090	1,006
Nov. '85	1,654	1,668	1,006	932

Key: Permits, Starts

Source: U.S. Commerce Department

Regional housing starts and permits

(in thousands)



Housing activity firm despite cold weather

By Laura Liebeck
NHCN staff editor

NATIONAL REPORT — Winter had arrived in many parts of the country, but housing activity remained fairly firm in November, falling a mere 2% in November to a seasonally adjusted annual rate of 1.59 million units, reported the Commerce Dept.

And while this pace was the lowest in two years, single-family starts were a very strong 1.093 million units, unchanged from October. Total housing permits rose 2% to an annualized 1.592 million units, and single-family permits declined by 3% to 973,000 units.

The only region recording a monthly decline in starts in November was the South, dropping 13% to 593,000 units, which was 23% below November 1985. Permits fell 2% to 589,000 units, 19% below its last year's pace.

Dean Crist, research economist with the National Association of Home Builders (NAHB), explained that the general trend in the South, and in the other regions, has been downward this year, but to expected levels. Starts peaked at 2 million units in early 1986, but the annual total is expected to be about 1.8 million units.

Regional Housing

(in thousands)

	Nov. '86 starts	% chg.	Nov. '86 permits	% chg.
Northeast	276	+ 10.0	254	2
West	490	+ 6.0	465	- 2
South	593	13.0	589	2
Midwest	239	unchg	284	- 14

Source: U.S. Commerce Department

Starts were again strongest in the Northeast, where activity rose 10% from October, to a seasonally adjusted 276,000 units, 17% above its November 1985 pace. Permits fell 2% from October, and were 5% off its year-ago pace.

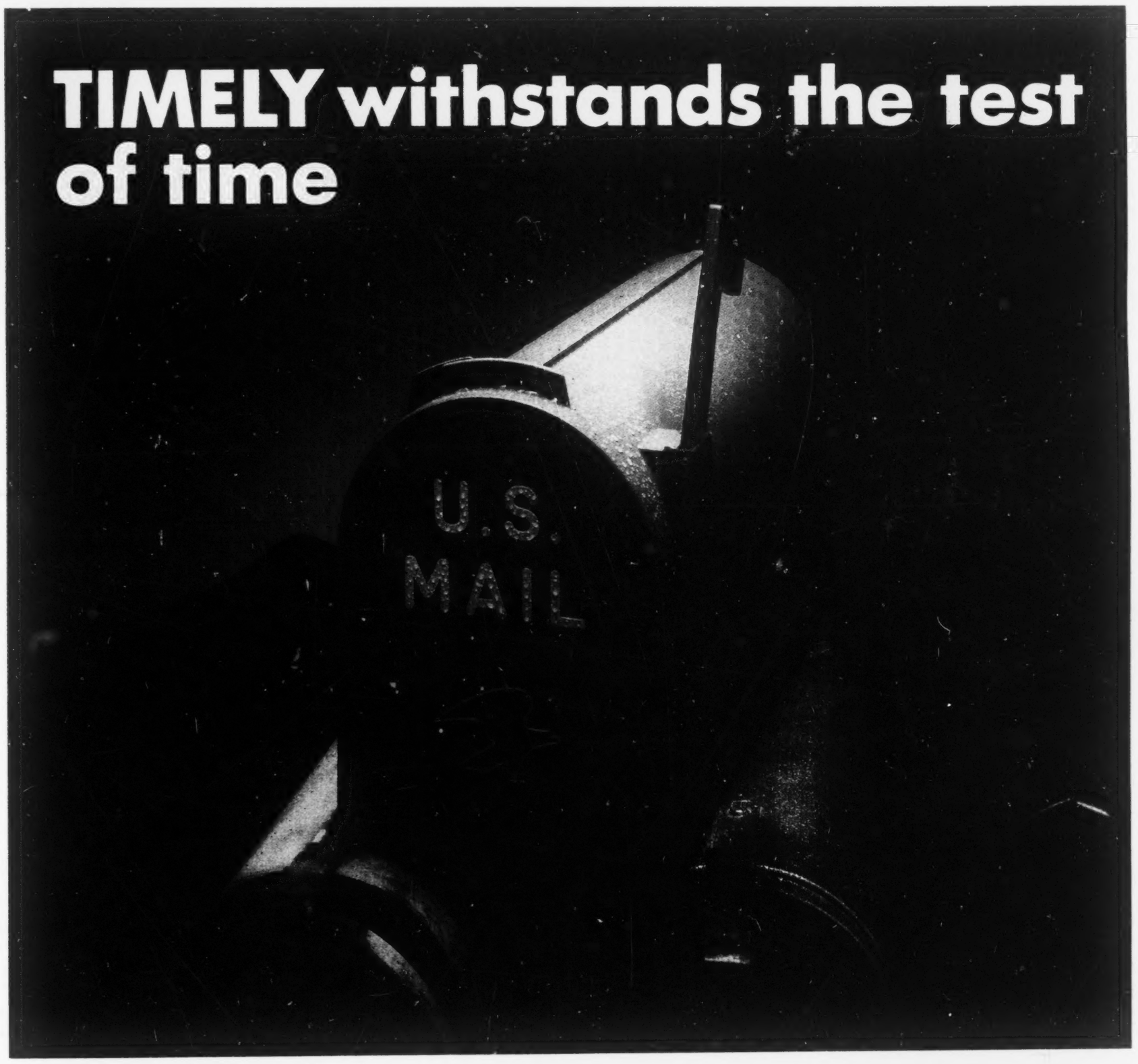
The West also posted a substantial starts gain in November, rising 6% to 490,000 units, up 11% from last November. Permits in this region were up 2% from October, but were down 1% from November 1985.

Starts activity in the Midwest was unchanged from October, at 239,000 units, seasonally adjusted, but 14% ahead of the corresponding month in 1985. Permits in this region, though, were up 14% from October, to 284,000 units, and up 38% from November 1985.

* * * * *

Effective Jan. 1, the Federal Home Loan Mortgage Corp. (Freddie Mac) increased its maximum loan amount on conventional mortgages from $133,250 to $153,100 to reflect increasing home prices.

A spokesman said that the increase allows Freddie Mac to buy more mortgages in high-priced communities, making homeownership more affordable to more people.



But don't take our word for it, take our lifetime warranty.

A TIMELY RURAL MAILBOX is backed by the strongest warranty in the industry, because TIMELY INDUSTRIES has built it to last, and resist the elements. It is warranted that the TIMELY RURAL MAILBOX will not crack or lose its rigidity.

A triumph in injection molded plastic, TIMELY mailboxes, utilize a revolutionary idea for rugged construction. Interior ribbed struts form a rigid arch strong enough to withstand the pressure of 200 lbs. of weight. Also, there are no metal components on a TIMELY mailbox. It is constructed of 100% durable polypropylene. Because its vivid color is injection molded and not painted on, a TIMELY mailbox will never rust, chip, peel, or fade.

TIMELY mailboxes come in the widest choice of colors on the market, are fully approved by the United States Postal Service, and are roomy enough to hold even large parcels. TIMELY cartons have a UPC number for convenience in recording sales.

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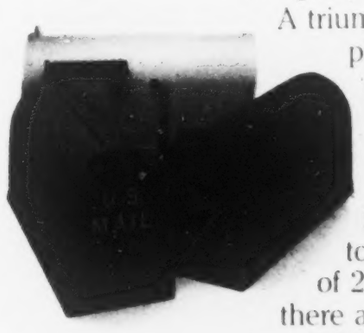

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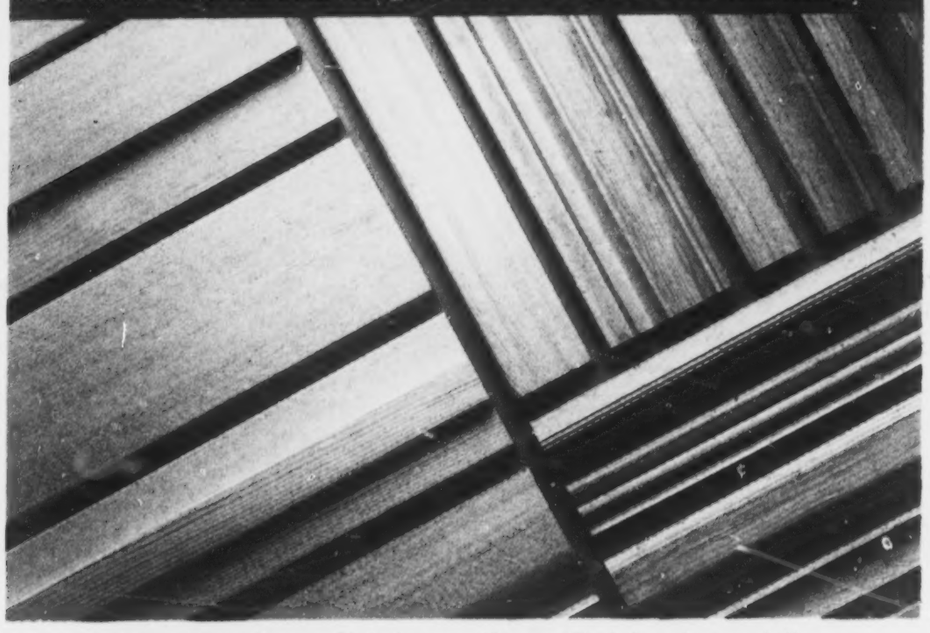

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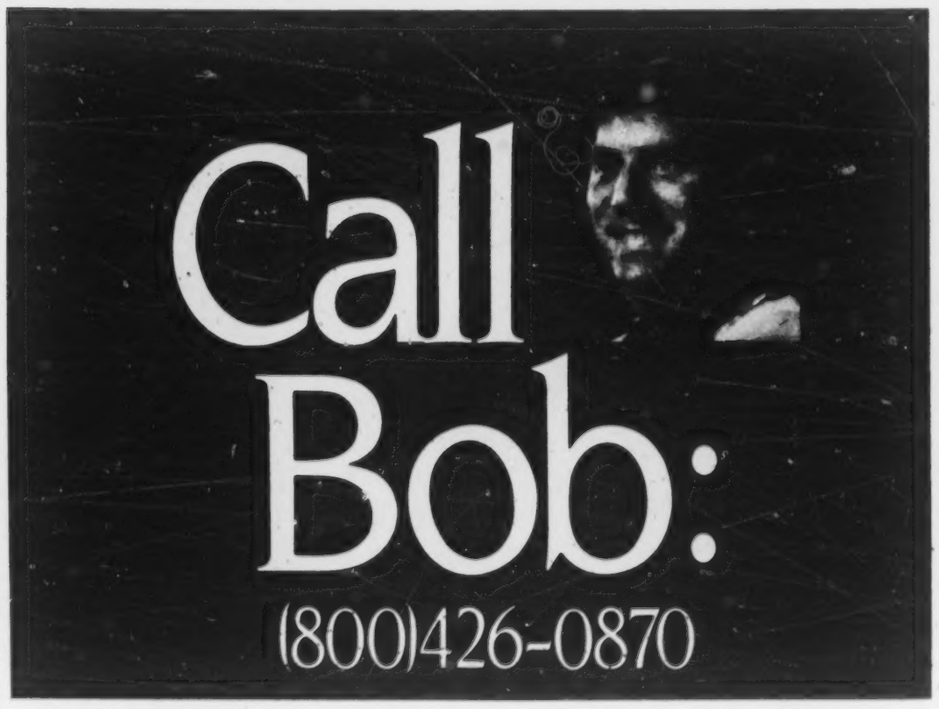

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LUMBER REPORT

New poll shows lumber dealers fearful that 4-year boom is over

By Milford Prewitt
NHCN staff editor

EUGENE, Wash. — Lumber and building material dealers fear that the boom of the past four years is winding down and indicate that they will be entering 1987 cautiously, according to a poll conducted by *Random Lengths*, the weekly lumber trading newsletter.

Dealers operating 210 firms with 1,680 lumber yards expressed less enthusiasm about their business prospects this year in the newsletter's annual outlook series.

The countervailing duty on Canadian lumber imports and the unpredictable consequences of the new tax law seem to account for the bulk of the dealers' foreboding.

Dealer attitudes were also shaped by the varied regional economies of the Northeast, the Midwest, the West and the South.

Weak regional pockets

While many operators profited nationally from the vigorous housing market and lower interest rates in 1986, the regional responses were different. Some markets in the South are beginning to show signs of becoming overbuilt and are still pounded by the depression in energy-related industries. Midwestern dealers were encouraged by an upswing in remodeling but discouraged by economic stagnation that slowed new home construction.

The West is hampered by patches of unemployment and overpopulation. In the Northeast, new home and office construction is expected to continue.

Only half of the dealers polled said they were more optimistic about the coming year than they were a year ago. However, fewer dealers are expecting sales declines during the next year.

Dealers in the South and West exhibited the lowest enthusiasm for 1987, with only 48% and 45%, respectively, expecting this year to be better than last.

About 80% of the dealers in the Northeast predict their sales will be up in 1987 and none expect a decline. But less than 45% of the retailers in the Midwest, West and South expect a sales volume increase in 1987.

Dealers differ with findings

While lumber and building material dealers questioned about the poll by *NHCN* agreed with its broad findings, some argued that there are many exceptions that promise to rebut some of the regional predictions.

For example, Jim Culpepper, president of the independent, $1.9 million Bogalusa Lumber Co. in Bogalusa, La., said he had been blessed by having two shopping centers constructed on opposite sides of his company.

"That has had a tremendous impact on our business and I think it's going to continue," in 1987, Culpepper said.

In the Northeast where most predictions are rosy, Tom O'Malley, vp of Gerrity Building Centers in Meredith, N.H., indicated that the pace of building is not slowing in the market area and will continue into the next year. Gerrity is a 16-unit chain which generated 93% of its $159 million sales volume in 1985 from contractors.

"I don't see a slackening as far as what is being bid on by builders," he said, "especially among the smaller builders who are doing 10 to 15 homes a year."

Close to 70% of the dealers in the poll increased their sales volume in 1986 by an average of 10% to 15%. Although dealers in the West and the South improved their profit picture in 1986, their results lagged behind those reported in the Northeast and Midwest.

Other findings in the survey included most building material dealers reporting that their inventories are higher than a year ago.

Although many of the dealers were gloomy about their prospects in 1987, half of all the dealers—except those in the West—feel they have to add to their wood supplies before April.

Nearly half of all the dealers surveyed carried more products for DIYers in 1985. The growth in products for DIYers was the most vivid in the South where 50% of the dealers carried consumer-oriented merchandise, compared to 40% last year.

Dealers in the Midwest bought more western and southern lumber and less Canadian lumber in 1986, probably attributable to the mill strikes in British Columbia and the import duty. But use of Canadian lumber in the Northeast remained heavy.

About one third of the dealers in the Northeast bought 70% of their lumber from Canadian mills. About half of the Western dealers polled carried lumber only from western mills.

The onward thrust of nonveneer structural panels also made more inroads into dealers inventories in 1986. Waferboard and Oriented Strand Board (OSB) accounted for nearly half of all the structural panels stocked nationally, but operators in the West used western plywood to satisfy 90% of their structural panel needs.

* * * *

The four-month-old strike against British Columbian mills ended in early December as members of the International Woodworkers Association (IWA) agreed to an 18-month contract.

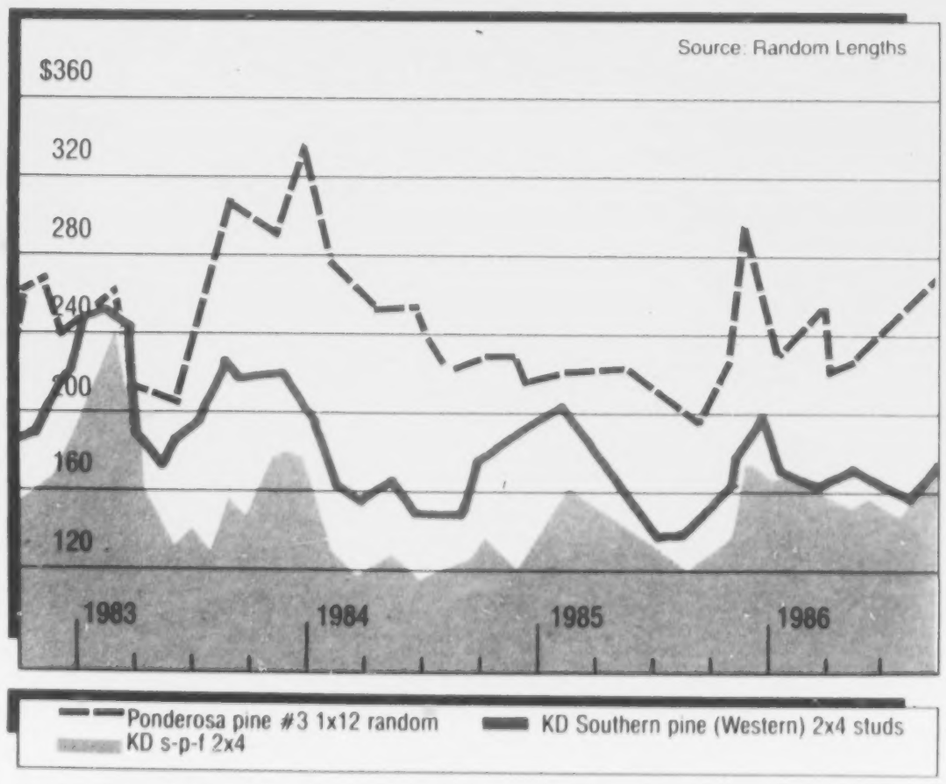
Members of the IWA voted 89% in favor of accepting the agreement in which management agreed to limit the amount of outside contracting to current levels.

The issue of outside contracting—in which lumber producers hired independent firms to cut timber—was one of the two bitter issues that divided IWA membership from mill management. The other issue was contract language that changed the traditional definitions of seniority and merit. The IWA had argued that the new definitions would have made it easy for management to hire and fire its employees.

Supply and price levels have reacted mildly to the end of the strike. Although mills are gearing up to fill order files, prices have softened, offset by the settling of winter in the northern states and the seasonal slump in demand.

Commodity close-up

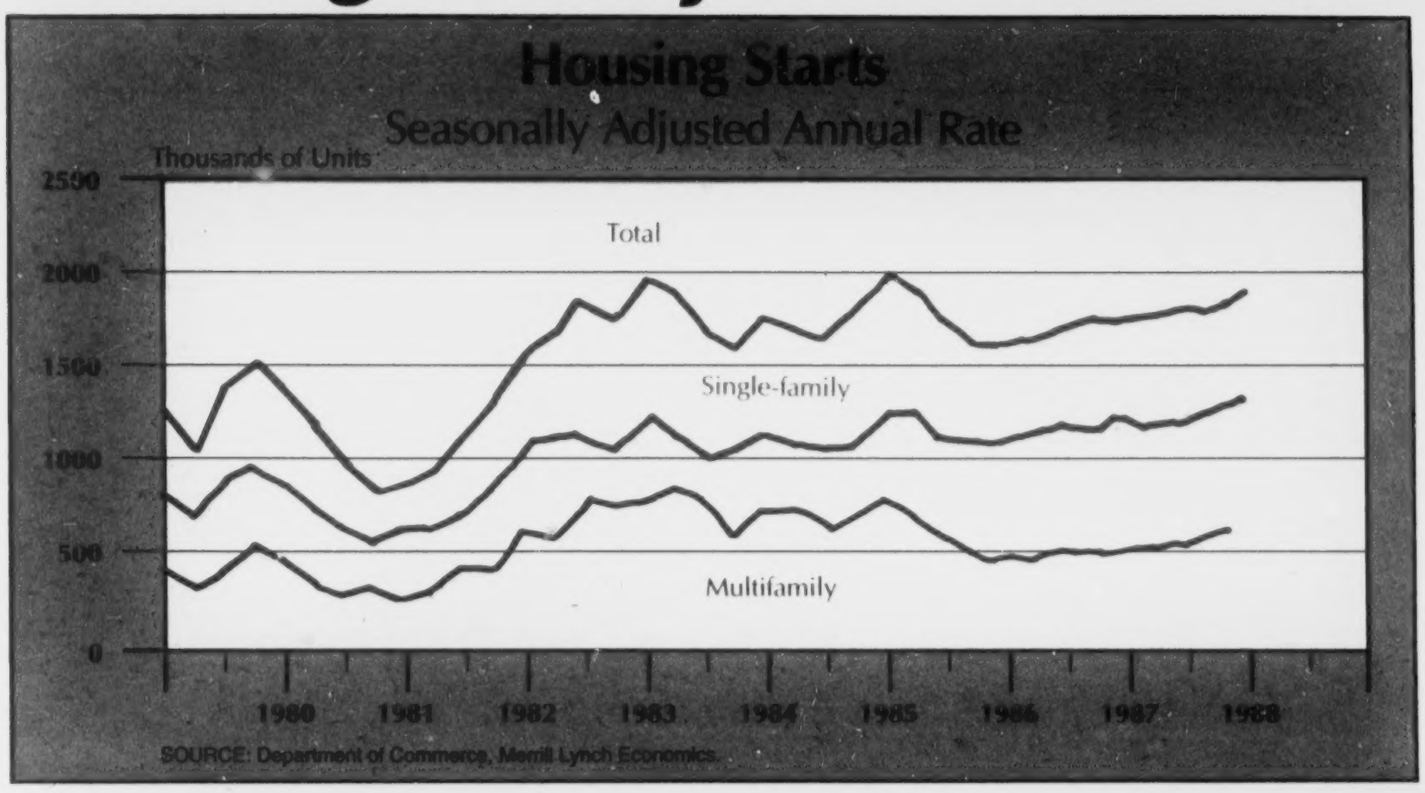
Studs and Boards
Average mill monthly prices



Price points for studs and boards rose during the month of November. Ponderosa pine #3 1x12 had the biggest one-month jump from an October trading level of $231 per thousand board feet to $249. KD Southern pine (west) 2x4 studs rose in November to $163 per thousand board feet and KD s-p-f 2x4 jumped from $148 to $152 per thousand board feet.

BUSINESS WATCH

Housing activity to increase building material sales



(Continued from page 10)
declining since January 1986 and will continue to soften into the second quarter of 1987. Starts will decline from 1.83 million units in 1986 to 1.70 million in 1987.

However, the weakness is concentrated in multiunit structures which have been harmed by the new tax law. This law lengthens the depreciation schedule for residential investment properties to 27.5 years from 19, while limiting the deduction of real estate losses from income.

Single units, in contrast, did not decline much during 1986, and lower mortgage rates will keep these units at 1.2 million in 1987. Consumers have avoided the lower-priced adjustable rate mortgages (ARM's) over the past year in a declining interest environment.

During 1987 and 1988, buyers will return to ARM's, which carry lower interest rate payments, as inflationary expectations ebb, and resales and single unit starts will rise.

Resales, a major market for most building material retailers, were very strong in the second half of 1986 and will increase building material sales during 1987.

Resales are the most significant factor in the *NHCN* Leading Indicator. In September and October, resales were at a seven-year high while single-unit starts edged lower.

New housing became less affordable in 1986 when average home prices rose 11%. Buyers turned to resales, where average prices were $14,000 less than new. The new tax bill made resales more attractive than new by cutting marginal tax rates. By reducing deductions, the after-tax cost of housing increases.

Resales will remain at 3.5 million units in 1987, unchanged from 1986, but down from the 3.8 million unit pace of September and October. Lower interest rates and a rising economy in the second half of 1987 will keep this market for building materials strong.

Building material sales

The first look at the 1987 outlook calls for another year of double-digit gains. An 11% rise in dollar volume seems most likely now, 6% after adjusting for price changes. The economy will be stronger while single-unit starts and resales will be unchanged from 1986. Strength in resales in the second half of 1986 will keep DIY work strong. The tax bill favors major remodeling work.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Newell ups stake in Anchor Hocking to 1.3 mil. shares

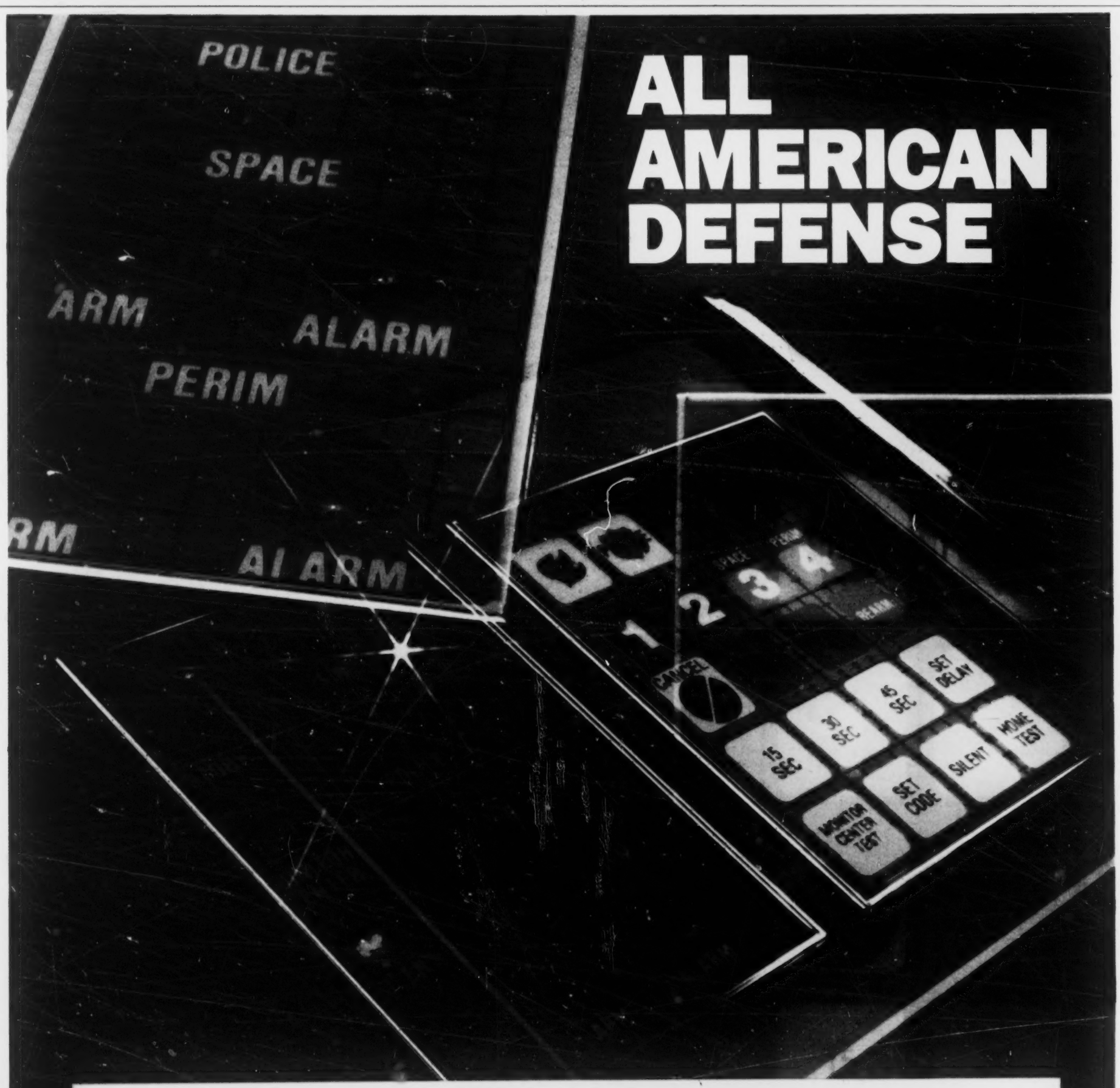
By an NHCN staff editor

FREEPORT, Ill. — Newell Co. has increased its stake in Anchor Hocking to 1.3 million shares, or 12.51% of the target firm's common stock.

The latest stock acquisitions, which were made over the past two months, reflect the continuing interest by Newell in acquiring the Lancaster, Ohio-based Anchor Hocking. Early last November, Newell had made an open offer of $34 per share for all outstanding shares.

Because the Newell bid was not significantly higher than the market price of the target shares, Anchor Hocking rejected the bid when it was first made (*NHCN*, Dec. 1, 1986).

"From our standpoint, there has been no change in our position," said Al Lewis, Anchor Hocking's spokesman.



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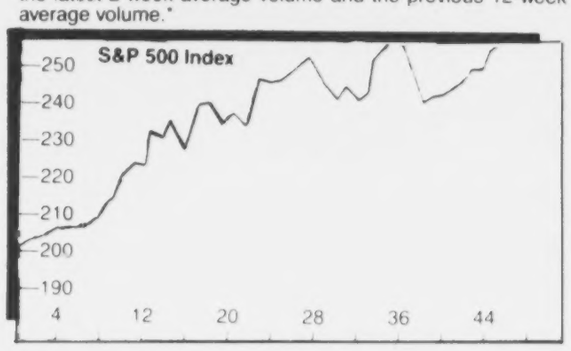
The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
11-14-86	(100)	%	%
Lewis Palmer ..... M	2,965	414.3	- 1.6
Forest City Ent ..... A	555	400.0	2.5
Natl Hardgoods ..... M	274	395.6	3.6
Pope & Talbot ..... N	3,602	383.9	8.3
Stanley Works ..... N	12,522	322.5	.9
Mich General ..... A	5,623	279.5	- 23.1
Am Woodmark ..... M	1,546	255.6	7.7
Potlatch Cp ..... N	2,902	253.2	5.8
Boise Cascade ..... N	16,048	232.1	- 1.6
Newell Co ..... N	3,606	228.1	.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 12-12-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Owens Ill Fibr ..... N	12.25	16.7	98,128
Waxman Ind ..... M	17.75	8.4	884
Pope & Talbot ..... N	24.50	8.3	3,602
Am Woodmark ..... M	14.00	7.7	1,546
Certain-teed ..... N	31.38	5.9	2,103
Potlatch Cp ..... N	59.25	5.8	2,902
Manville Cp ..... N	2.38	5.6	11,953
Macmillan Bloedel ..... M	31.00	4.6	224
Sherwin-Wms ..... N	29.50	4.4	14,972
Ply-Gem ..... A	12.63	4.1	2,810
Losers	$	%	(100)
Stanline Inc ..... M	1.25	- 23.1	5,623
USG Corp ..... N	8.63	- 12.7	22,684
Natl Lumber ..... M	28.00	- 12.5	79
Insilco Corp ..... N	8.38	- 10.7	2,147
Wickes Cos ..... A	25.38	- 8.6	14,061
Mich General ..... A	8.25	- 8.3	178
Svc Merchandise ..... M	40.00	- 8.3	43,618
Color Tile ..... M	4.25	- 8.1	636
Wolohan Lumber ..... M	19.75	- 7.1	4,705
Lowe's Cos ..... N	3.75	- 6.3	83,322

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 12-12-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend
-	$	$	%	$	$	$	$	(100)	%	%	%
Retailers											
Color Tile ..... M	28.00	- 4.00	- 12.5	33.00	28.00	33.00	19.50	79	.08	.88	- 90.9
Erb Lumber ..... M	15.88	.00	.0	16.38	15.13	19.25	8.38	427	1.31	.68	92.6
Forest City Ent ..... A	30.63	.75	2.5	31.50	30.13	33.50	22.00	555	.70	.14	400.0
Grace W R ..... N	51.63	- 1.13	- 2.1	56.00	51.50	60.75	45.25	20,807	5.01	3.61	38.8
Handyman ..... A	44.63	- .38	- .8	45.38	44.13	47.63	26.38	681	2.65	1.03	157.3
Hechinger A ..... M	18.25	- .63	- 3.3	18.75	18.25	23.59	15.00	2,046	1.87	1.47	27.2
Hechinger B ..... M	18.63	- .38	- 2.0	18.75	18.25	23.59	15.19	679	.41	.14	192.9
Home Depot ..... N	18.13	- .75	- 4.0	18.88	18.13	21.75	10.75	7,164	2.84	1.66	71.1
INTERCO Inc ..... N	43.00	- 1.13	- 2.5	44.50	42.88	47.63	33.50	7,372	2.58	.95	171.6
K mart Cp ..... N	47.25	- 3.00	- 6.0	51.25	46.50	57.38	33.63	75,677	5.85	2.12	175.9
Lowe's Cos ..... N	25.38	- 2.38	- 8.6	29.13	25.25	41.50	22.50	14,061	3.55	2.00	77.5
Mich General ..... A	1.25	- .38	- 23.1	1.63	1.00	5.25	1.00	5,623	3.15	.83	279.5
Natl Hardgoods ..... M	7.25	.25	3.6	7.50	6.88	9.31	5.47	274	2.23	.45	395.6
Natl Lumber ..... M	4.25	- .38	- 8.1	4.63	4.25	7.00	4.00	636	1.13	.37	205.4
Pay N Pak ..... N	11.75	- .75	- 6.0	12.50	11.63	19.38	9.50	1,746	1.75	1.42	23.2
Payless Cash ..... N	18.00	- 1.13	- 5.9	20.25	17.88	27.50	14.50	17,307	5.00	1.70	194.1
Scotty's Inc ..... N	12.63	- .38	- 2.9	13.25	12.63	18.13	12.25	1,238	.86	.83	3.6
Sears, Roebuck ..... N	41.25	- 2.75	- 6.3	45.13	40.25	50.38	35.88	84,641	2.27	.88	158.0
Svc Merchandise ..... M	8.63	- 1.25	- 12.7	9.75	8.50	15.00	8.25	22,684	6.81	5.39	26.3
Std Brd Pnt ..... N	21.88	- 1.13	- 4.9	23.50	21.38	27.00	19.38	1,984	1.75	2.35	- 25.5
Supermkts Gen ..... N	25.00	- 1.00	- 3.8	28.38	24.50	32.25	23.75	9,700	2.52	1.18	113.6
Wickes Cos ..... A	3.75	- .25	- 6.3	4.00	3.50	7.00	3.50	83,322	3.51	1.70	106.5
Wolohan Lumber ..... M	8.38	- 1.00	- 10.7	9.25	8.38	10.75	5.75	2,147	3.66	1.45	152.4
Zayre Corp ..... N	25.88	- .75	- 2.8	27.38	25.00	43.88	20.75	32,430	5.50	3.42	60.8
Wholesalers											
Lewis Palmer ..... M	7.63	- .13	- 1.6	8.00	7.25	9.88	7.13	2,965	7.56	1.47	414.3
Stanline Inc ..... M	8.25	- .75	- 8.3	8.63	8.00	12.13	7.84	178	1.05	.47	123.4
Manufacturers											
Allegheny Int ..... N	13.00	- .13	- 1.0	14.75	12.75	25.25	11.38	4,238	3.94	2.14	84.1
Am Standard ..... N	42.88	- .38	- .9	44.38	42.63	46.88	36.00	10,258	2.73	1.29	111.6
Am Woodmark ..... M	14.00	1.00	7.7	14.75	12.75	14.75	10.00	1,546	2.24	.63	255.6
Armstrng Wrld ..... N	31.63	- .13	- .4	35.00	30.00	35.00	19.81	12,249	2.54	1.34	89.6
Black & Decker ..... N	16.13	- .88	- 5.1	17.63	16.13	25.25	14.50	18,701	3.22	1.73	86.1
Boise Cascade ..... N	60.88	- 1.00	- 1.6	64.88	60.75	64.88	44.50	16,048	5.48	1.65	232.1
Certain-teed ..... N	31.38	1.75	5.9	32.25	29.63	38.50	22.63	2,103	1.11	.45	146.7
Champ Intl ..... N	31.50	- 1.63	- 4.9	34.00	31.25	34.00	22.50	59,853	6.36	2.98	113.4
DeSoto Inc ..... N	39.88	- .13	- .3	40.50	39.63	41.38	34.25	431	.90	.54	66.7
Emhart Corp ..... N	33.75	- .38	- 1.1	34.75	32.75	42.63	30.25	6,977	2.25	1.08	108.3
Genova ..... M	4.75	- .25	- 5.0	5.00	4.75	5.88	4.38	40	.10	.12	- 16.7
Georgia-Pacifc ..... N	38.63	- .63	- 1.6	41.25	38.38	41.25	24.75	39,951	3.85	2.08	85.1
Insilco Corp ..... N	19.75	- 1.50	- 7.1	22.00	19.75	23.56	16.66	4,705	2.26	1.27	78.0
La Pacific ..... N	31.63	.75	2.4	33.50	30.75	33.50	20.41	18,908	5.11	1.86	174.7
Macmillan Bloedel ..... M	31.00	1.38	4.6	31.25	29.63	31.25	16.13	224	.07	.04	75.0
Manville Cp ..... N	2.38	.13	5.6	2.38	2.00	8.88	2.00	11,953	4.98	1.66	200.0
Masco Corp ..... N	28.00	.38	1.4	29.00	26.88	34.50	19.50	36,714	2.85	1.10	159.1
Mor-Flo Inds ..... M	14.00	.13	.9	14.00	13.50	19.25	12.00	66	.26	.43	- 39.5
Newell Co ..... N	28.38	.25	.9	29.00	27.50	36.75	21.00	3,606	3.15	.96	228.1
Owens Ill Fibr ..... N	12.25	1.75	16.7	13.00	10.25	13.00	8.88	98,128	26.18	NC	NC
Ply-Gem ..... A	12.63	.50	4.1	12.75	12.00	15.50	10.00	2,810	3.50	2.28	53.5
Pope & Talbot ..... N	24.50	1.88	8.3	25.38	22.50	25.38	17.25	3,602	6.00	1.24	383.9
Potlatch Cp ..... N	59.25	3.25	5.8	60.50	55.63	61.00	34.63	2,902	2.19	.62	253.2
Sherwin-Wms ..... N	29.50	1.25	4.4	30.00	27.25	32.25	21.31	14,972	3.32	1.37	142.3
SW Forest Ind ..... N	18.00	.00	.0	19.75	17.75	19.75	10.88	8,620	7.02	3.27	114.7
Stanley Works ..... N	27.50	.25	.9	28.88	27.00	30.84	20.50	12,522	3.00	.71	322.5
Thos Inds ..... N	16.25	- .56	- 3.3	16.75	15.50	24.31	15.50	1,358	1.37	.61	124.6
USG Corp ..... N	40.00	- 3.63	- 8.3	45.38	39.25	46.50	22.25	43,618	6.86	3.04	125.7
Walter, Jim ..... N	49.00	1.00	2.1	49.75	47.25	54.63	32.59	11,698	3.69	1.51	144.4
Waxman Ind ..... M	17.75	1.38	8.4	17.75	16.38	17.75	10.38	88	2.81	.98	186.7
Weyerhaeuser ..... N	39.13	- .25	- .6	41.25	38.38	41.25	29.63	42,632	3.27	1.31	149.6

Company and Market	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																		
Color Tile ..... M	17.7	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber ..... M	8.1	.00	.0	.....	9 mos.	09-86	83.3	37.0	2.9	26.1	.90	34.3	178.9	27.6	4.8	11.6	1.47	20.5
Forest City Ent ..... A	27.8	.30	1.0	.....	6 mos.	07-86	43.3	- 19.1	6.4	88.2	.80	86.0	131.3	3.2	6.6	83.3	.83	84.4
Grace W R ..... N	17.6	2.80	5.4	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Handyman ..... A	19.7	.00	.0	.....	9 mos.	09-86	65.2	7.2	1.0	- 9.1	.39	- 9.3	178.0	2.1	3.0	- 50.8	1.18	- 51.0
Hechinger A ..... M	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	21.7	.06	.3	.....	9 mos.	10-86	149.1	26.0	6.3	14.5	.21	16.7	448.1	23.7	19.6	18.8	.64	14.3
Home Depot ..... N	24.5	.00	.0	.....	9 mos.	10-86	251.5	41.5	3.9	225.0	.15	275.0	737.6	48.4	16.2	189.3	.63	186.4
INTERCO Inc ..... N	14.2	1.60	3.7	.....	6 mos.	08-86	625.7	- 2.8	23.4	.9	.74	1.4	1204.9	- 2.3	37.8	9.9	1.20	10.1
K mart Cp ..... N	20.3	1.48	3.1	.....	9 mos.	10-86	5686.3	8.9	87.3	12.8	.66	10.0	16877.7	7.7	297.3	41.1	2.24	36.6
Lowe's Cos ..... N	17.3	.40	1.6	.....	9 mos.	10-86	594.3	8.2	12.5	- 19.9	.31	- 26.2	1786.1	11.8	45.1	- 6.8	1.16	- 12.8
Mich General ..... A	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	17.3	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	NE	.00	.0	NEW	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	18.1	.40	3.4	.....	6 mos.	08-86	108.7	20.1	1.1	- 63.3	.11	- 63.3	213.8	23.4	3.4	- 33.3	.34	- 33.3
Payless Cash ..... N	14.6	.16	.9	.....	9 mos.	08-86	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotty's Inc ..... N	15.0	.52	4.1	.....	3 mos.	09-86	118.7	7.6	1.6	- 42.9	.11	- 45.0	118.7	7.6	1.6	- 42.9	.11	- 45.0
Sears, Roebuck ..... N	11.2	1.76	4.3	.....	9 mos.	09-86	11171.3	11.2	328.1	25.1	.88	23.9	31311.8	9.3	808.3	7.6	2.17	6.9
Svc Merchandise ..... M	NE	.08	.9	.....	9 mos.	09-86	329.5	- 37.6	(30.3)	NE	(.92)	NE	1413.2	- .5	(68.8)	NE	(2.07)	NE
Std Brd Pnt ..... N	17.8	.58	2.7	NEW	9 mos.	10-86	85.9	- 4.6	4.2	5.0	.38	8.6	252.9	- 5.1	12.3	- 13.4	1.09	- 13.5
Supermkts Gen ..... N	14.7	.28	1.1	NEW	9 mos.	10-86	1374.7	8.8	9.6	- 60.3	.24	- 29.4	4073.4	8.2	41.8	- .7	1.10	- 6.8
Wickes Cos ..... A	10.1	.00	.0	NEW	9 mos.	10-86	1254.8	- 14.5	33.0	114.3	.15	200.0	3361.7	11.6	69.5	252.8	.30	650.0
Wolohan Lumber ..... M	10.1	.20	2.4	.....	9 mos.	09-86	58.7	25.4	1.9	58.3	.33	65.0	141.9	25.2	3.6	63.6	.61	60.5
Zayre Corp ..... N	18.1	.32	1.2	.....	9 mos.	10-86	1316.4	30.5	22.9	- 15.2	.38	- 17.4	3573.6	32.6	48.6	- 16.5	.81	- 19.0
Wholesalers																		
Lewis Palmer ..... M	23.8	.28	3.7	NEW	9 mos.	10-86	60.0	50.4	.7	16.7	.17	6.3	140.4	27.2	1.2	50.0	.31	40.9
Stanline Inc ..... M	9.9	.27b	3.3	.....	9 mos.	07-86	16.4	18.0	.5	66.7	.25	8.7	43.8	5.5	1.1	22.2	.61	- 9.0
Manufacturers																		
Allegheny Int ..... N	NE	.00	.0	.....	9 mos.	09-86	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Standard ..... N	8.5	1.60	3.7	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark ..... M	12.8	.00	.0	.....	6 mos.	10-86	31.9	31.3	2.3	109.1	.33	50.0	60.3	24.1	4.1	86.4	.63	43.2
Armstrng Wrld ..... N	13.3	.84	2.7	.....	9 mos.	09-86	506.0	13.3	35.6	26.7	.73	25.9	1423.9	13.6	92.3	17.9	1.91	17.2
Black & Decker ..... N	32.9	.40	2.5	.....	fiscal	09-86	437.9	- 3.6	2.2	- 78.4	.03	- 85.0	1791.2	3.4	27.5	- 41.4	.49	- 46.7
Boise Cascade ..... N	21.1	1.90	3.1	.....	9 mos.	09-86	959.5	2.7	13.3	- 34.5	.38	- 41.5	2821.2	- .8	69.6	- 18.4	2.28	- 19.7
Certain-teed ..... N	10.5	.90	2.9	.....	9 mos.	09-86	304.5	.1	19.9	8.7	1.04	11.8	845.6	- .3	46.6	8.4	2.45	12.4
Champ Intl ..... N	17.9	.52	1.7	.....	9 mos.	09-86	1110.9	- 16.5	63.8	68.3	.68	83.8	3329.6	- 27.2	136.3	9.0	1.39	13.9
DeSoto Inc ..... N	30.0	1.40	3.5	.....	9 mos.	09-86	107.7	- 1.4	(3.8)	- 100.0	(.80)	- 100.0	336.0	1.8	3.5	- 69.0	.73	- 69.2
Emhart Corp ..... N	NE	1.40	4.1	.....	9 mos.	09-86	472.6	12.2	(71.2)	- 100.0	(2.30)	- 100.0	1510.1	17.0	(33.4)	- 100.0	(.98)	- 100.0
Genova ..... M	11.0	.10	2.1	.....	fiscal	09-86	15.9	15.2	.7	.0	.19	- 5.0	51.8	4.2	1.6	6.7	.43	7.5
Georgia-Pacifc ..... N	20.1	1.00	2.6	.....	9 mos.	09-86	1909.0	9.0	97.0	67.2	.90	73.1	5442.0	6.2	213.0	22.4	1.94	24.4
Insilco Corp ..... N	15.2	1.00b	5.1	.....	9 mos.	09-86	195.5	- 6.5	7.0	18.6	.27	- 3.6	572.9	- 10.1	25.3	12.4	1.14	.0
La Pacific ..... N	20.8	.80b	2.5	.....	9 mos.	09-86	407.4	22.6	22.2	96.5	.60	93.5	1124.0	18.5	48.1	157.2	1.31	156.9
Macmillan Bloedel ..... M	NA	.75	NA	.....	9 mos.	09-86	657.6	10.1	31.7	162.0	.74	311.1	1969.5	13.6	110.0	388.9	2.73	2630.0
Manville Cp ..... N	1.0	.00	.0	.....	9 mos.	09-86	511.1	8.4	26.7	NE	.85	NE	1457.2	3.7	63.9	- NE	1.88	NE
Masco Corp ..... N	19.9	.36	1.3	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds ..... M	15.6	.01	.1	.....	9 mos.	09-86	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co ..... N	13.2	.84	3.0	.....	9 mos.	09-86	106.3	15.3	7.4	37.0	.64	6.7	295.9	16.8	16.6	23.9	1.54	4.1
Owens Ill Fibr ..... N	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	14.5	.12	1.0	.....	9 mos.	09-86	59.2	49.9	1.6	45.5	.16	.0	168.9	37.3	6.0	93.5	.72	41.2
Pope & Talbot ..... N	18.4	.80	3.3	.....	9 mos.	09-86	78.1	- 4.8	4.3	115.0	.72	111.8	228.3	- 8.8	7.4	21.3	1.23	21.8
Potlatch Cp ..... N	15.6	.68	2.8	.....	9 mos.	09-86	249.9	4.3	16.7	47.8	1.18	81.5	733.1	1.4	49.8	49.5	3.53	82.9
Sherwin-Wms ..... N	17.1	.50	1.7	.....	9 mos.	09-86	604.1	4.4	32.3	11.0	.70	11.1	1705.1	1.6	69.7	10.1	1.50	8.7
SW Forest Ind ..... N	NE	.00	.0	.....	9 mos.	09-86	160.6	- 11.6	4.1	NE	.30	NE	461.6	- 13.1	(7.9)	NE	(.89)	NE
Stanley Works ..... N	14.2	.76	2.8	.....	9 mos.	09-86	388.3	30.7	20.1	3.6	.48	2.1	1115.1	25.9	55.3	5.1	1.32	3.1
Thos Inds ..... N	11.7	.62b	3.8	.....	9 mos.	09-86	72.7	- 8.1	2.1	- 57.1	.22	- 56.9	220.6	- 4.9	9.6	- 20.0	.97	- 21.1
USG Corp ..... N	11.7	1.12	2.8	.....	9 mos.	09-86	653.9	- .5	41.1	- 37.4	.65	- 33.7	2028.6	7.3	169.0	- .5	2.61	2.8
Walter, Jim ..... N	10.6	1.40	2.9	.....	fiscal	06-86	1741.4	177.3	100.1	160.7	3.38	141.4	2368.3	3.3	138.6	24.1	4.64	13.4
Waxman Ind ..... M	18.5	.08	.5	.....	3 mos.	09-86	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weyerhaeuser ..... N	23.9	1.30	3.3	.....	9 mos.	09-86	1397.3	8.2	62.2	61.1	.44	83.3	4201.4	5.9	180.6	32.3	1.21	36.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National
Home Center News ®

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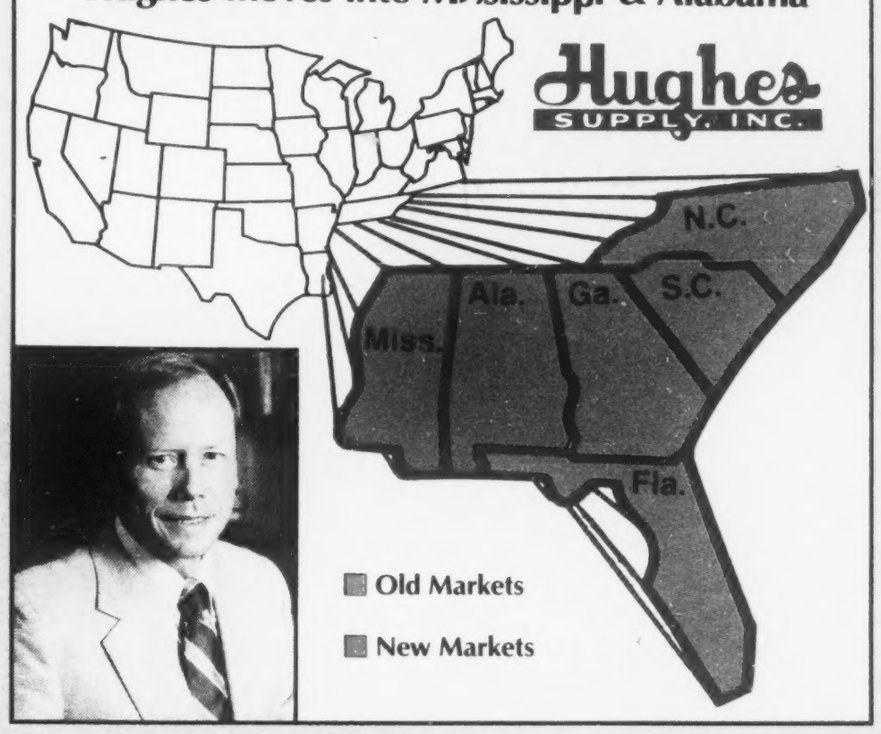


Hughes Supply is stretching west by purchasing two companies. Pictured is David H. Hughes, president. NHCN map

Hughes buys two Southeast wholesalers

By Phillip M. Perry
NHCN staff editor

ORLANDO, Fla. — Giant wholesaler Hughes Supply has made two acquisitions that increase its annual revenues by 13% to $400 million and underscore Hughes' growing dominance in the Southeast.

Late last month, the company purchased Paine Supply, a Jackson, Miss., distributor with sales of $23 million, and the $22 million USCO in Monroe, N.C.

The acquisition of Paine Supply, with its 14 distribution centers, extended Hughes operations into the states of Mississippi and Alabama. Previously, Hughes operated in Florida, Georgia and North and South Carolina. USCO operates 12 centers in North and South Carolina.

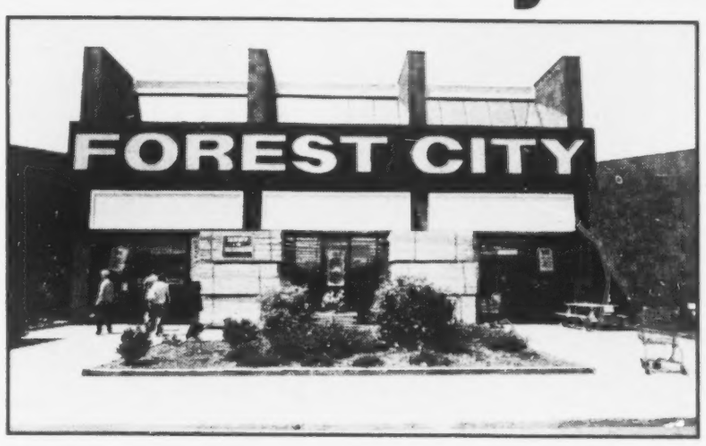
With the two firms under its belt, Hughes now operates
(Continued on page 61)

Handy Andy strikes deal to buy Forest City retail div.

By Gary Ruderman
NHCN staff editor

CLEVELAND — Handy Andy Home Improvement Centers Inc., signed an agreement Jan. 14 to purchase the 18-unit Forest City retail division from Forest City Enterprises, Inc., Cleveland, for an undisclosed amount of cash and notes.

Forest City expects to close the deal by the end of April, according to Helen Morgan, vp, Forest City Enterprises.



Forest City's $150 million, 18-unit retail division, whose origins date back to 1921, will be sold to Handy Andy, the Gurnee, Ill., chain. NHCN photo

Handy Andy, Gurnee, Ill., will acquire the inventory and assets, but not the land, of eight Forest City Home Improvement stores in Metro Detroit, eight in the Cleveland area, two units in Akron, Ohio.

Two Ohio distribution centers remained a matter of negotiation when the agreement was signed. Forest City Enterprises will lease the 11 parcels of land it owns and will sublease the others, the company stated.

The majority of Handy Andy units average 55,000 sq.
(Continued on page 61)

Revelstoke sells rural Canadian units to Home Hardware for $25M

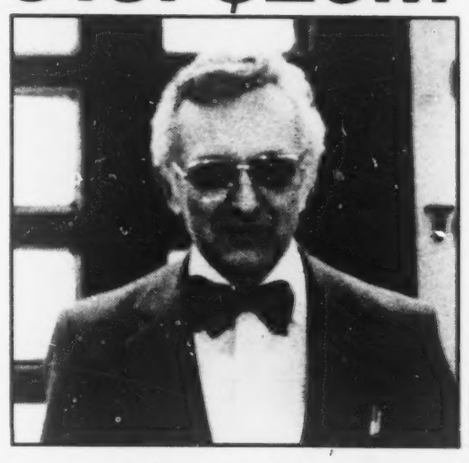
By an NHCN staff editor

CALGARY, Alberta — Revelstoke Companies Ltd. has sold its 52 rural building supply stores to Home Hardware, the 900-dealer, $500 million franchised wholesaler, for an estimated $25 million.

The deal, which will be completed Jan. 30, will give Home greater penetration into western Canada with hardlines stores having total sales of $59 million and ranging in size from 1,200 to 15,000 sq. ft.

This transaction also signals a new emphasis by Revelstoke on expanding in metro markets with its larger stores, of which it currently has 18 that generate approximately $80 million in volume. These stores broke even in 1986 and are expected to be profitable this year.

"I see Revelstoke's future in the major trading areas," said Steele Curry, the chain's president. He told *NHCN*
(Continued on page 62)



Walter Hachborn president, Home Hardware

Neiman-Reed's president, Jesse Ruf, buys company; three stores shuttered

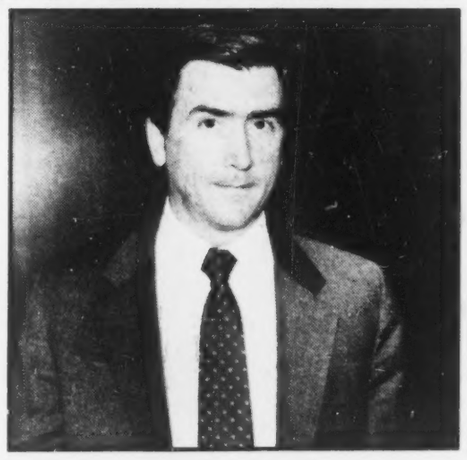
By Brad Altman
NHCN staff editor

VAN NUYS, Calif.— Jesse Ruf, president and ceo of Neiman-Reed's Lumber City since April 1986, bought the company in late December for an undisclosed amount from co-founder Robert Neiman and the company's two other shareholders.

In related transactions, Lumber City closed three stores in Woodland Hills, Reseda and Ventura and acquired Sunset Building Center, a single-unit home center on Sunset Boulevard in Los Angeles, which Ruf bought in 1979.

Neiman said the three shuttered stores represented valuable real estate parcels, and, because locations were "marginal," directors decided to sell.

The Sunset Boulevard unit will be added to the nine remaining Lumber City store
(Continued on page 61)



Jesse Ruf president, Neiman-Reed

San Diego Glass & Paint to close by late Feb.

By an NHCN staff editor

SAN DIEGO — Just days after locally-based Handyman shuttered its doors permanently, another retail institution—the 59-year-old San Diego Glass & Paint Co.—announced its planned departure from the hardware/home improvement business by late February.

Principal owner Bob Hanson decided the 18-unit chain, which posted $17 million sales last year, "is not getting the return on investment that it could get if the owners go out of business and become real estate brokers," said George Rotsheck, general manager.

The closing is expected to be completed by Feb. 21 after
(Continued on page 61)

INSIDE

National Home Center News Launches Project Sell

When they refer to their stores' efforts to sell projects, home center retailers around the country talk a good game. But it appears many dealers still grapple with marketing projects and often give short shrift to big ticket sales.

In a new section that will run every three months and begins on page 21, *NHCN* examines project selling from a merchandising, advertising and operational standpoint, to see where dealers are succeeding or falling short in their strategy to offer consumers a one-stop shopping environment.

NEWSBREAKS

JOSEPH LUMBER CLOSES TWO UNITS: Chicago independent Joseph Lumber closed two of its four stores since mid-December. The fourth-generation firm is reportedly for sale.

COMMODORE & PERMA-BILT SEEK MERGER: The two largest independent manufacturers of vanities and bath products said they were seeking a combination that would create a firm doing close to $100 million annually. Each company would maintain its own identity and autonomy for the foreseeable future.

INDUSTRY UPDATE

Canadian Tire bid blocked

TORONTO — Ontario and Quebec securities regulators have blocked a dealer bid to acquire nearly half the common shares of Canadian Tire, Canada's largest hard lines retailer.

The takeover bid, worth close to $200 million and made by a CTC Dealers Holdings Ltd. representing 348 of the chain's 361 dealers, was for 49% of CT's common. It emerged after members of the Billes family, which founded the chain in 1922, tendered their 60.9% holdings (*NHCN*, Jan. 12). The dealers group already owns 17.9% of the company's stock.

The regulators stated that while the dealers' bid was structured for the acquisition of less than half of CT's voting shares (thereby circumventing a company bylaw that turns nonvoting stock into voting if half of its shares are sold), "in economic reality [it would be] a purchase of all the common shares in Canadian Tire . . . held by the Billeses." Representatives for the dealers and the Billeses could not be reached for comment.

Payless sales increase 9.9%

KANSAS CITY, Mo. — Payless Cashways reported revenues increased 9.9% to $1.5 billion for the year that ended Nov. 29, 1986. Earnings increased 11.2% to $42.4 million.

For the firm's fourth quarter, revenues increased 7.1% to $405.6 million. Net income declined 1.1% to $10.9 million.

Yardbird debuts new outlet

PETALUMA, Calif.—Yardbirds of California has opened a 36,000-sq.-ft. home center in this northern California city, marking the debut of the first build-to-suit outlet in the now six-unit chain's 12-year history.

President and founder John Headley said the store, which opened Dec. 22, has a 5,000-sq.-ft. outside nursery department in addition to 36,000 sq.ft. of under-roof selling space. Targeted first-year sales are $9 million with an 85/15 consumer-to-contractor customer ratio.

Yardbirds units in Alamo, San Pablo, San Rafael, Santa Rosa and Vallejo, Calif., rang up $33 million sales in 1986.

Zayre moves to drop stock suit

FRAMINGHAM, Mass. — Zayre Corp., the $4 billion parent of HomeClub, filed a motion to dismiss a stockholder's charges that the firm failed to disclose in a timely fashion some material financial information.

Filed Dec. 15, 1986, the motion is currently under consideration by Rya W. Zobel, the judge for the case at U.S. District Court, Boston.

The motion relates to a suit filed last summer by a stockholder who claimed the company had not announced early enough it would report disappointing results for the second quarter ending July 1986. (*NHCN*, Sept. 8, 1986).

Scott, Burpee taken private

MARYSVILLE, Ohio — O.M. Scott and W. Atlee Burpee, the two divisions of the lawn and garden group of ITT, were taken private by key management earlier this month. The price of $150 million was financed by Clayton & Dubilier, the New York investment firm. (*NHCN*, Jan. 12.)

Scott and Burpee achieve about $200 million in combined annual revenues.

Scott president Tadd C. Seitz said the new private firm would remain headquartered in Marysville, Ohio.

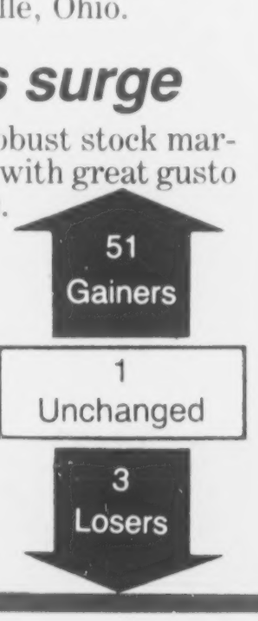
Home center stocks surge

NEW YORK — In sympathy with a robust stock market, home center issues charged forward with great gusto during the two week period ended Jan. 9.

Of the companies tracked by *NHCN*, 51 increased in price, while one remained unchanged and three declined.

Michigan General, parent of Diamond Lumber, led the rally, rising 30% to $1.63.

National Hardgoods Distributors rose 17.9% to $8.25, National Lumber rose 14.1% to $4.56, and Wolohan Lumber rose 12.5% to $9.00.



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Jim Gee Jr., back in the saddle with first four Sawhorse units

By an NHCN staff editor

LA GRANGE, Ill. — Sawhorse Home Centers, a new venture by Jim Gee, Jr., debuted here this month.

Last August, Gee broke from Gee Lumber,the century-old family business, when he acquired four of the company's 11 locations. Gee had served as president of Gee Lumber where his father continues as chairman. (*NHCN, Sept. 22, 1986).*

The split occurred because of a difference of opinion about certain aspects of the Gee Lumber operation. In an increasingly competitive market, Gee Jr., felt a need to be more competitive.

With Sawhorse Gee Jr., plans to institute:

- Market-sensitive pricing replacing what Gee Jr. said was the insular pricing of the Gee Lumber units;
- An increase in depth of assortment but a decrease in breadth with a range of perhaps 30,000 stock keeping units compared tot he 40,000 offered by Gee Lumber; and
- Tighter security, more retail store employees and better training.

Also, a Sawhorse Home Centers print ad campaign starting Feb. 1, and possible TV ads later in the year, are aimed at attracting female DIY customers in a market area dominated by contractor yards, Gee said.

The four Sawhorse stores are in south suburban Illinois locations and range in size from 10,000 sq. ft. to 30,000 sq. ft.

Grand reopenings at the LaGrange, Villa Park, Glen Ellyn and Broadview stores are slated for late spring.

Ties between Sawhorse and Gee Lumber continue, according to Gee, as some employees are shareholders in both.

In an unrelated development, Jim Gee Sr., acquired the 20,000-sq.-ft. Rory's Do-It Home Center, Hazel Crest, Ill., in November for an undisclosed sum.

Erb shareholders approve buyback

By an NHCN staff editor

BIRMINGHAM, Mich. — Erb Lumber shareholders approved a management proposal to acquire all of the firm's outstanding stock Dec. 29.

The action will create a privately held firm under the control of Fred A. Erb and certain other Erb family members.

The proposal calls for a merger of Erb Lumber into a corporation called Fredco, newly created to facilitate the transaction. The new company will continue to operate under the name Erb Lumber.

Stockholders will receive $17 per share of stock. A proxy mailed by the firm to stockholders noted that on the day prior to the announcement of management's intention to take the company private, the stock was trading at $14.50 per share.

Erb Lumber generated an estimated $240 million in revenues for the year ended last month. Most of that was from its lumber and building materials division, which operates wholesale and retail locations in six states. The company also operates a real estate division.

In detailing the reasons for its desire to take the company private, management cited several facets of the recent federal tax law changes.

The proxy to stockholders noted that in 1987 the maximum corporate tax rate will be higher than the maximum individual tax rate. If the company changes its form to an S Corporation, individuals are taxed rather than the company. Income will be taxed at the lower individual tax rate. Moreover, it will be taxed only once—at the individual rate—rather than twice, at both the corporate and individual rate.

In addition, the beneficial tax rates on capital gains will be eliminated. Further, distributed gains on sale of certain appreciated property will be taxable at both corporate and individual tax rates.

Funded by $60M credit line

The proxy also noted privately held firms are not required to disclose details about operations and finances, and stated such disclosure can serve to hamper negotiations in mergers or other transactions, as well as reveal data of use to competitors.

Erb said the total amount of funds necessary to acquire all of the stock of the firm should come to $21.2 million, most of which would be financed by loans from financial institutions.

Financing for the stock acquisition was obtained in the form of a $60 million credit line from Comerica Bank, Detroit. While only about a third of that will be needed for the stock acquisition, the remainder is intended to be used as required by ongoing operations.

Hinckley purchases Dutton's assets

By an NHCN staff editor

HYANNIS, Mass.— Independent Hinckley Home Centers last month acquired the assets of Dutton Home Center on the island of Martha's Vineyard, off Cape Cod, Mass.

This is Hinckley's first acquisition since the management bought the company from the Hinckley family one year ago. Hinckley's operates three units on Cape Cod at Hyannis, Harwich and Dennis, Mass.

It purchased Dutton's assets and inventory from its founder and owner David Dutton Sr., and paid cash. Dutton continues to own the real estate and has leased it to Hinckley Home Centers for seven years with an option to buy.

Dutton Home Centers, founded in 1976, is a predominantly contractor-based company operating from a 8,000-sq.-ft. retail showroom.

Hinckley's will immediately remodel and remerchandise the existing two-story unit. It will broaden the existing lines of the hardware department downstairs and the kitchen and bath showroom upstairs. In this way Hinckley's hopes to boost the retail trade to 40% from 20% of total sales by year end, with projected total volume of $4 million.

All former Dutton Home Center employees will be retained, with David Dutton Jr., staying on as assistant manager. Jim Sellar, formerly millwork and special-order buyer at Hinckley's, will be the unit's new store manager.

Everything's covered

Hinckley does not anticipate immediate future acquisitions. "We basically have the Cape covered now," said Fred Whelden, president and treasurer.

However, it is planning a $500,000 major remodeling and remerchandising of its Dennis store. It intends to tear down the existing store and warehouse and build a 10,000-sq.-ft. showroom to be completed in late spring. The Dennis store will have a complete kitchen and bath department and new product lines of ceramic tile and flooring.

The company appointed Ronald Durgin as its new kitchen and bath manager on January 1, to help oversee this new product development. Durgin was formerly with Mid-Cape Home Centers, Orleans, Mass., and later operated his own kitchen design business.

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BUSINESS WATCH

NHCN Leading Sales Indicator

*—Monthly retail trade building materials, hardware and supplies in (1982 $)

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales in the first half of 1987. Resales were strong during September and October of 1986, while single family housing starts will recover as interest rates decline.

Differences in local economies cause sales to vary by region

By Richard E. Mount
Special to NHCN

Employment prospects and building material sales will vary by region in 1987 due to differences in the composition of local economies. We expect building material sales, at the national level, to increase 11%. Sales adjusted for price increases will rise 6% in 1987 nationally, but the range among regions will be from a high of 11% in the East South Central states to a low of 1% in the West South Central.

Best markets

The strongest growth in building material sales during 1987 will occur in regions having a concentration of capital goods' production.

Richard E. Mount

The decline in the dollar, which began almost two years ago, makes U.S. producers more competitive at home and abroad. As domestic production and operating rates rise, firms will increase their spending on business equipment to avoid potential production bottlenecks in the future.

Interest rates are headed lower through the spring, making capital spending more attractive to manufacturers. The economies of capital goods' regions have been weak for most of the current recovery, and rapid rates of growth from a low level are easier to achieve.

The improvement in capital goods output will be good for the East North Central and East South Central regions.

Manufacturing, especially high technology, will do better in 1987. The lower dollar

(Continued on page 53)

Home Center Industry Regional Outlook

		1985		1986				1987				
		QIII	QIV	QI	QII	QIII	QIV	QI	QII	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		121.0	123.4	124.7	127.9	132.1	136.5	138.2	140.6	118.5	130.3	140.8
Building Material Retail Sales												
Current	$ Millions SAAR Total United States	53,736	56,976	61,180	62,580	63,108	62,846	65,169	67,271	53,841	62,428	68,992
	New England	3,238	3,477	3,492	3,854	4,210	3,871	4,001	4,117	3,038	3,857	4,220
	Middle Atlantic	7,408	8,306	8,324	8,926	9,261	8,698	8,993	9,263	7,269	8,802	9,485
	East North Central	8,603	9,048	8,096	9,699	10,014	10,036	10,460	10,831	8,381	9,461	11,119
	West North Central	3,841	4,000	3,541	4,049	4,413	4,343	4,490	4,628	3,747	4,086	4,752
	South Atlantic	10,868	11,837	13,871	13,442	12,394	13,097	13,594	14,053	11,262	13,201	14,420
	East South Central	3,056	3,182	3,513	3,633	3,757	3,764	3,956	4,104	2,964	3,667	4,222
	West South Central	5,822	6,041	6,817	6,355	5,975	6,109	6,308	6,485	6,090	6,314	6,646
	Mountain	2,620	2,763	3,256	2,962	2,997	3,086	3,200	3,296	2,674	3,075	3,377
	Pacific	8,281	8,322	10,269	9,659	10,087	9,842	10,166	10,494	8,377	9,964	10,750
Constant	Millions $1982 SAAR Total United States	51,144	53,749	57,422	60,401	60,049	58,800	60,370	61,700	51,035	59,168	62,936
	New England	3,082	3,280	3,460	3,781	3,741	3,622	3,707	3,776	2,882	3,651	3,850
	Middle Atlantic	7,051	7,836	7,916	8,450	8,335	8,138	8,331	8,496	6,894	8,210	8,653
	East North Central	8,188	8,536	9,193	9,568	9,542	9,390	9,689	9,934	7,950	9,423	10,143
	West North Central	3,656	3,773	4,104	4,210	4,173	4,063	4,159	4,245	3,554	4,138	4,335
	South Atlantic	10,344	11,167	11,613	12,521	12,478	12,254	12,593	12,889	10,682	12,217	13,154
	East South Central	2,909	3,002	3,266	3,533	3,549	3,522	3,664	3,764	2,812	3,468	3,851
	West South Central	5,541	5,699	6,221	6,040	5,945	5,715	5,844	5,948	5,777	5,980	6,063
	Mountain	2,494	2,607	2,800	2,929	2,936	2,887	2,964	3,023	2,536	2,888	3,080
	Pacific	7,882	7,851	8,849	9,368	9,350	9,208	9,418	9,625	7,946	9,194	9,807
Per Cent of U.S. Total												
Current	Per Cent of U.S. Total (SCurrent) Total United States	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	6.03	6.10	6.03	6.26	6.23	6.16	6.14	6.12	5.65	6.17	6.12
	Middle Atlantic	13.79	14.58	13.79	13.99	13.88	13.84	13.80	13.77	13.51	13.88	13.75
	East North Central	16.01	15.88	16.01	15.84	15.89	15.97	16.05	16.10	15.58	15.93	16.12
	West North Central	7.15	7.02	7.15	6.97	6.95	6.91	6.89	6.88	6.96	6.99	6.89
	South Atlantic	20.22	20.78	20.22	20.73	20.78	20.84	20.86	20.89	20.93	20.65	20.90
	East South Central	5.69	5.58	5.69	5.85	5.91	5.99	6.07	6.10	5.51	5.86	6.12
	West South Central	10.83	10.60	10.83	10.00	9.90	9.72	9.68	9.64	11.32	10.11	9.63
	Mountain	4.88	4.85	4.88	4.85	4.89	4.91	4.91	4.90	4.97	4.88	4.89
	Pacific	15.41	14.61	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	91.3	88.6	92.7	91.1	93.9	94.1	92.4	91.1	88.5	93.0	91.6
	Cement	106.5	99.8	121.2	108.7	105.6	110.1	107.9	106.5	105.7	111.3	106.4
	Gypsum Wallboard	129.6	132.4	132.8	133.7	132.3	134.5	134.6	134.2	126.4	133.3	133.9
	Hardware	99.2	99.4	99.8	102.1	103.5	104.5	104.5	103.9	100.9	102.5	103.8
	Lumber Products	126.1	125.7	128.0	132.8	134.1	130.6	127.5	126.7	122.9	131.4	126.7
	Paint	98.2	100.2	100.6	103.0	101.7	106.1	107.2	107.9	101.9	102.9	108.1
	Plywood	144.3	142.9	149.6	161.4	160.1	158.2	155.3	150.9	138.7	157.3	152.4

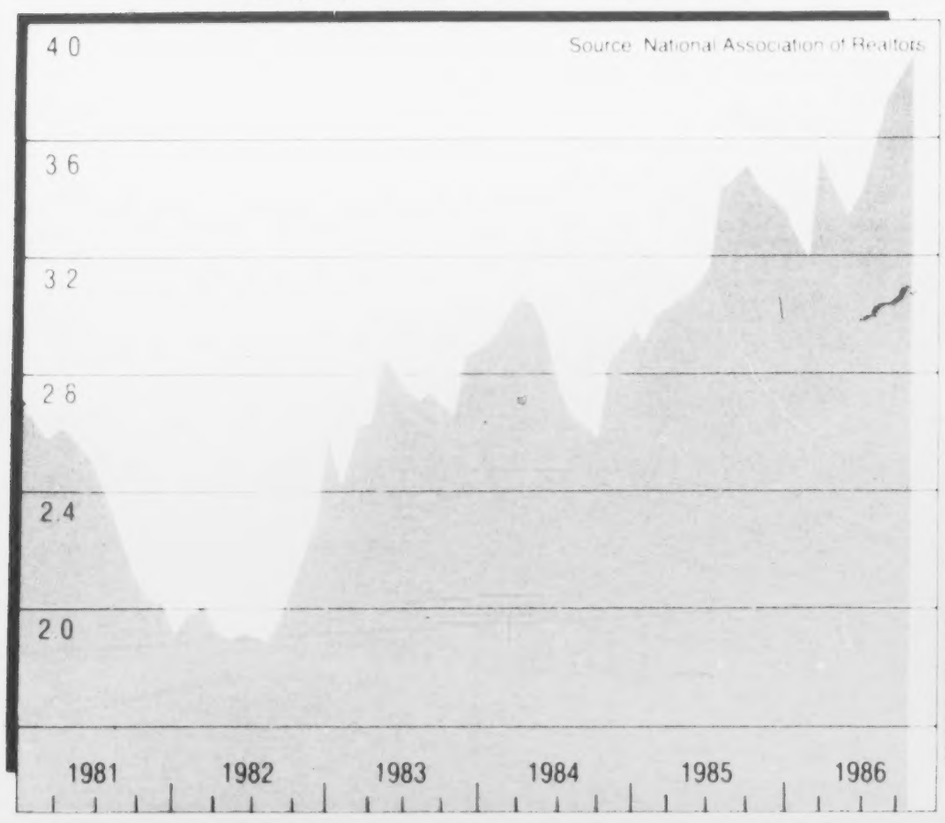
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
December 24, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

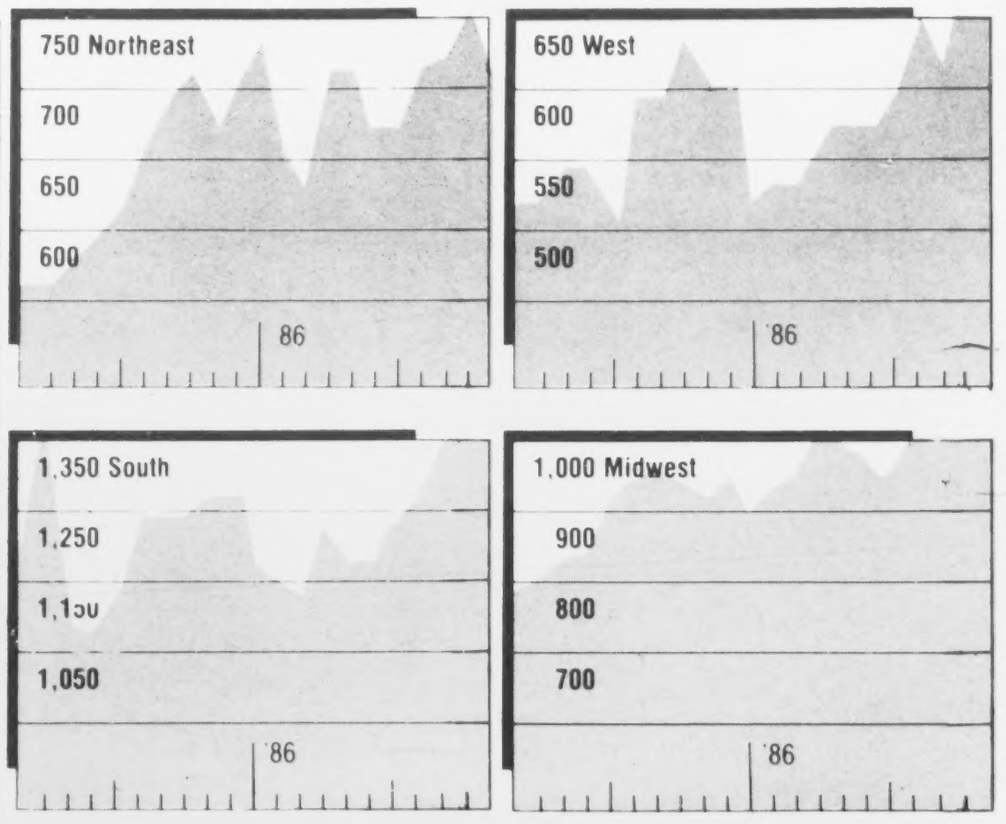
SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



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Home resale activity surges 3% in Nov.

By an NHCN staff editor

NATIONAL REPORT — Home resale activity surged 3% in November to an annualized 3.92 million units, the fifth consecutive monthly increase and the highest sales pace since September 1979, the National Association of Realtors reported.

The activity rise was due almost entirely to sales in the South which increased 13% over October's totals to a seasonally adjusted 1.53 million units, a 20.5% increase over November 1985.

The only other increase was recorded in the Midwest, where activity rose 1% to an adjusted 1 million units, 10% above its year earlier pace.

Both the Northeast and West posted sales declines in November. Sales of previously-occupied homes in the Northeast fell almost 7% to 710,000 units, seasonally adjusted, although this was still 6% above its November 1985 pace. And sales in the West declined by 4% from October, to 680,000 units, a 13% increase from November 1985.

Median sales price
(in thousands of dollars)

	Sept.[p]	Aug.[r]	July	June
U.S.	$ 79.9	$ 80.9	$ 79.9	$ 82.6
Northeast	106.4	107.5	104.6	109.7
South	74.9	77.0	77.2	80.0
Midwest	63.1	63.9	64.2	65.2
West	101.8	102.9	101.7	103.0

[p]-preliminary [r]-revised
Source: National Association of Realtors

Home prices rose in all four regions in November, led by the Midwest, which posted an increase of $2,500 from October, to $63,600, 10% above November 1985. Home prices in the South rose $2,200 to $77,000, almost 3% above last year's prices. The median-priced home in the Northeast rose $1,800 to $107,800, a 21% increase over last November. And home prices in the West rose $700 from October to a median $102,400, 8% ahead of last November.

Home improvement spending up 10%

By an NHCN staff editor

Americans spent a seasonally adjusted $91.6 billion to maintain and improve their homes during the first quarter of 1986, a 10% increase over the $83.6 billion they spent in the first quarter of 1985, according to a just-released and long delayed U.S. Commerce Department report.

Both maintenance and repairs and improvements, subcategories of the total expenditures, rose during this recording period.

Maintenance and repairs inched 2% over the corresponding quarter in 1985 to $36.7 billion. And improvements totaled $54.9 billion, 15% ahead of first quarter 1985.

Additions and alterations, which increased 21% to $34.3 billion in early 1986, and major replacements rose 6% to $20.6 billion.

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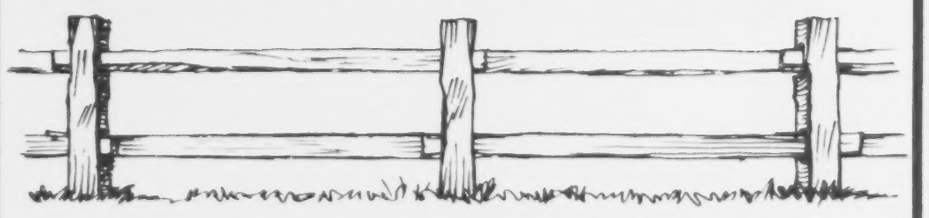

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LUMBER REPORT

Export tax on Canadian lumber has yet to impact U.S. market

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — The Canadian export tax on lumber headed for America has had little impact on market conditions, but the long range economic consequences of the measure promise to be hotly debated in 1987.

The cost of a new home, the future health of Canadian mill operators, and the repercussion on trade relations are being watched carefully for any effects from the tax.

The Canadians announced the export tax December 30, just one day before the U.S. Department of Commerce's interim 15% tariff on Canadian softwood, installed October 22, would have become a permanent component in American trade law.

Pressured to reach some settlement by the year-end deadline, and apparently fearful that the Committee for Fair Lumber Imports (CFLI) would have succeeded in pushing for a higher tariff, the Canadians reached an 11th-hour agreement with American industry and commerce representatives establishing an export tax equal to the tariff the U.S. imposed.

"This is the best thing that could have happened to the forest industry in North America," said Stanley Dennison, chairman of the CFLI and a semi-retired executive vp of Georgia-Pacific who led the charge for a tariff.

As a result of the export tax, the tariff is permanently rescinded and the CFLI—the aggressive American forest producers group that has been campaigning since 1981 to secure a tariff—withdrew its countervailing duty petition. Despite the group's victory, it will continue to operate as a kind of a quasigovernmental consulting firm.

Stumpage fees still untaxed

To the relief of Canadian producers and exporters, approximately $85 million in bonds and tariff duties collected by U.S. customs officials since the interim duty was erected in October will be returned.

As an export tax, the levy will only be assessed on finished, dimensional lumber crossing the border and will not, ironically enough, affect Canadian stumpage fees, the cost of cutting standing timber. From the beginning, it was the extreme price differences between Canadian and American stumpage costs that provoked calls for a countervailing duty.

The CFLI and others have long argued that because the Canadian government subsidizes its forest industry by owning 90% of the commercial forest land and assigns harvestable acreage to companies through long- and short-term license arrangements, Canadian forest producers did not have to compete through bidding on stumpage costs like their American counterparts. In 1984, these differences created extremes in aggregate stumpage fees that were as low as $12 per thousand board feet in Canada compared to $118 per thousand board feet in the United States, according to a lumber importation study by the U.S. International Trade Commission.

> 'This is the best thing that could have happened to the forest industry in North America.'
>
> —**Stanley Dennison,** *chairman, Committee for Fair Lumber Imports*

Tax could exceed profits

The net effect was that Canadian lumber, over the course of 10 years, had grown from 12% to total U.S. consumption to a 1985 record of 32%. For the first 10 months of 1986, the Canadians had exported more than 12 billion bd. ft. of lumber to the U.S. compared to total U.S. production for the same time period of 29 billion bd. ft, according to statistics from the National Forest Products Association (NFPA).

The projected monetary value of 1986 Canadian softwood imports will exceed $3 billion, according to the Canadian Forest Industries Council (CFIC), a Canadian trade group. But the CFIC complains that the $500 million the government will collect as a result of the export tax is more than the entire industry makes in profit.

The CFLI pulls no punches when it declares that its intent is to curtail Canada's market share, even though many American forest products executives candidly acknowledge that it is impossible for total U.S. production to satisfy domestic demand.

Canadian producers irked

Dennison said the deal worked out with the Canadians will ultimately lead to increased Canadian stumpage fees.

"The American producer was being put out of business because he had to pay so much more for his stumpage than the Canadians," Dennison said. "What this will do is raise the cost of the Canadian producer sufficiently so that U.S. firms that are efficient can get back to business."

It's the question of efficiency that's going to be a major determinant in the survivability of Canadian firms and is the root of the Canadian's outrage over the settlement.

Bill St. John, vp-sales and marketing for the Vancouver-based MacMillian-Bloedel Corporation, Canada's largest forest products producer and distributor, predicted that the industry will be forced to lay off employees and eliminate inefficient mills in order to prosper.

St. John warned that if U.S. housing starts slump to 1.2 or 1.3 million unit levels in 1987, the effect of the export tax could be disastrous for retailers, consumers and producers on both sides of the border.

The National Association of Home Builders announced that the tax will probably add $1,000 to the cost of a new home and drive some potential home buyers from the market. But Dennison counters that housing costs will probably increase $150 to $300 and he argued that interest and terms determine who buys a house, not construction costs.

Harry Horrocks, governmental affairs director of the National Lumber and Building Materials Dealers Association and a perennial opponent of import restrictions, said the net effect of the export tax will mean more consolidation among producers and the likely disappearance of certain products from the market.

Market affected minimally

Meanwhile, retailers and wholesalers report that it has been business as usual since the export tax was announced.

At the time of this writing, *Random Lengths* had reported that trading levels had crept up $3 to $4 per thousand board feet. And while most retailers and wholesalers are convinced that their suppliers will pass on the 15% tax, many believe the hard rules of supply and demand may work to keep prices moderate.

Some lumber buyers said most of their suppliers tacked on 10% to 12% increases in October with the tariff and expect no further upswings unless demand intensifies.

Ply-Gem buys vinyl window firm

By an NHCN staff editor

NEW YORK — In continuing its pursuit of acquisitions to complement its broad array of wood and home improvement products, Ply-Gem Industries has purchased the Great Lakes Window Corp. for $18 million and contingent payments based on future earnings.

The deal, which was announced Christmas Eve, was the third major acquisition Ply-Gem completed in 1986.

Great Lakes, headquartered in Ohio, manufactures vinyl replacement windows in Toledo and vinyl extrusions in Toronto. Since its founding in 1981, the company has emerged as one of the top three manufacturers of vinyl replacement windows on the continent, according to a Ply-Gem press release.

For its last fiscal year which ended in November 1986, Great Lakes had sales of approximately $20 million.

PROJECT SELL:

NHCN launches Project Sell

"Project selling" is now part of the home center industry's vocabulary, and dealers are busily devising "strategies" to get consumers to buy more of what they need from their stores.

The practice of selling projects, though, remains more a concept than an actuality for a large segment of the industry, one that is deemed either too difficult, complicated or costly for serious in-store effort, even as dealers admit missing out on bigger ticket purchases. For some chains, the one-stop shopping foundation upon which the industry was built stops at projects.

In this issue, *National Home Center News* introduces a new feature, to run each quarter, that focuses on the different aspects of project selling from merchandising to in-store display, advertising to financing.

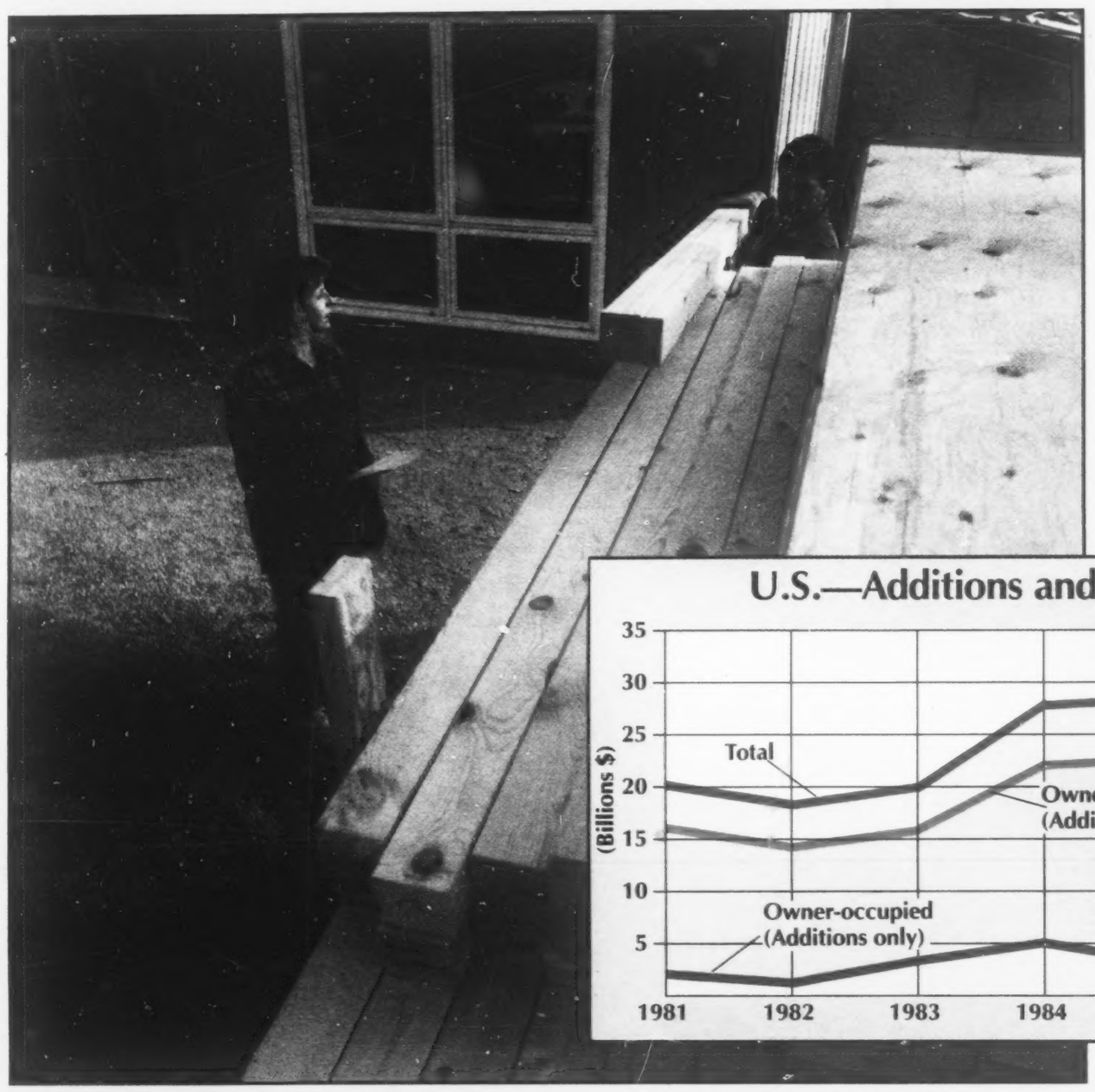
These special sections will examine what dealers and suppliers are doing to sell projects such as room additions and remodeling, kitchens and baths, lawn and garden, and home decor.

The aim is to uncover the ways both contractor- and consumer-oriented home centers are becoming more competitive through project marketing and are luring customers into their stores with the promise not only of merchandise for remodeling and building jobs, but also in-store help to complete projects.

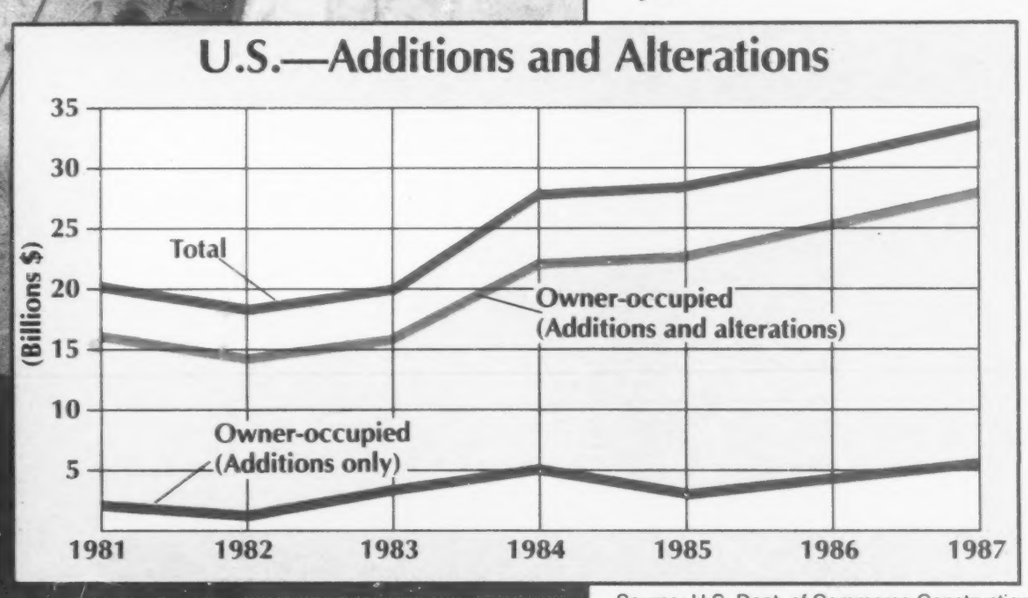
Index

- **22 Retailers toy with marketing room additions.** Most home center dealers can sell consumers an entire kitchen or bath, but draw the line on room additions. But some now have in-store programs to sell higher-ticket projects.
- **22 Dealers grapple with offering installation.** Most agree project selling demands offering consumers installation, which can be hard to manage.
- **24 Study finds broader project activity.** Rodale's *Practical Homeowner* survey of more than 20,000 adults finds wide project activity among rural and affluent homeowners.
- **34 Project ads spur higher sales.** Chains like Wickes Lumber and Grossman's are promoting projects in their newspaper ads. But some retailers still prefer showing more products in ads.
- **36 Manufacturers' sales aids go unused.** Virtually every supplier has myriad displays and other POS materials promoting project selling, but wonder why dealers don't take more advantage of them.
- **40 Financing.** Banks and credit companies appear to be more willing to finance big-ticket remodeling sales, relieving home centers of the risk and helping them promote projects.
- **42 Active DIYers watching remodeling program.** The popular public TV series *This Old House* draws a good chunk of its audience from the DIYer ranks, according to a study conducted by the show's sponsor, Owens-Corning.

DEALERS UNDERSELL



Owner-occupied room additions and remodeling projects are estimated to account for more than 80% of all projects of this type done in 1986 and 1987. Additions to owner-occupied units alone will make up at least 15% of all the additions and remodeling activity completed in these years.



Source: U.S. Dept. of Commerce Construction Reports, Annual 1985; Merrill Lynch.

By Milford Prewitt
NHCN staff editor

At National Home Center's sprawling 230,000-sq.-ft. warehouse operation in Little Rock, Ark., store manager Russ Waggoner is an enthusiastic believer of promoting and operationally supporting the sale of room additions.

From monthly tabs that remind its customers to "let us help you plan your next room addition," to inside and outside sales crews armed with computerized materials lists and cost estimating capabilities, to site delivery and inspection, National Home Center is making a comprehensive commitment to the room addition project sell.

But National's investment in selling room additions seems the exception more than the rule among building material dealers.

NHCN questioned executives of nine home center companies whose geographic and sales diversity reflects the industry at large, and found that project selling, particularly of room additions, has been a practice slow in arriving.

Many chains and independents have opted for selective project selling and installation, with the focus centered primarily on kitchens, bathrooms and decks. Any number of chains—including Grossman's and Wickes Lumber—promote project sales in their advertising. Manufacturers provide a slew of sales aids to encourage consumers to buy everything they need for a job at one store *(see other stories)*.

But for all the talk within the industry about being "project oriented," many operators are not backing up their words with actions when it comes to room additions. Oftentimes, the most glaring (and surprising) examples of this lack of effort are among the more consumer-dedicated operations.

Drawing the line at rooms

For reasons ranging from inventory and service limitations to beliefs that room additions sales are more suited to old-line lumberyards, many retailers have shied away from room additions as a project sell.

"We try to stay away from anything structural" said Tom Farrell, director of merchandising for All American Home Centers, a one-unit, $26 million concern that operates a strong installed sales program, but which finds room additions "too complicated."

But at least two companies that previously stayed at arm's length from room additions sales have seen the light. The Seattle-based Ernst Home Centers and Handy Andy, in Gurnee, Ill., will soon offer their first comprehensive room addition project selling programs.

Handy Andy, with 21 stores, expects to offer solar room additions, backed by a staff of installers and a window vendor's support, beginning in March, according to Dick Star, installed sales director. Half a continent away, Ernst will unveil in May an installed sales program that could offer room additions, according to Gene Howenstein, senior vp-merchandising who left the company this month.

Despite some chains' reluctance to develop project-oriented room addition sales programs, most concede that

(Continued on page 23)

Insuring quality of builder workmanship

By an NHCN staff editor

NATIONAL REPORT — "It's a great idea. I wish we could figure out a way to do it successfully."

That's Pat Behan, president of Hill-Behan, St. Louis, talking about installed home improvements. His and many other home center chains have attempted this seemingly attractive method of promoting project sales—only to abandon the idea after experiencing mounting frustrations.

In theory, installed home improvement (IHI) sounds great: encourage large ticket project sales by offering to install kitchens, baths, decks, garages and other jobs for which materials have been purchased at their stores.

Sears has perfected this marketing tact, and a number of home center chains—National Lumber & Supply, Neiman-Reed, Builderama, Scotty's and Seigle's Building and Home Supply—run successful IHI programs.

Just as many retailers, though, have encountered all kinds of IHI problems, which they enumerate in order of agony:

- Contractors have divided loyalties because they are not full-time employees of the retailer. As a result, they can't be relied on to complete jobs on time, or even arrive as scheduled at job sites;
- Customers are so demanding of quality work that contractors must make additional trips to job sites, usually at the retailer's expense;
- Customers can still be complaining to the dealer about something that's gone wrong with the job months after it's been completed.

Orchard Supply Hardware, San Jose, Calif., started an IHI program four years ago, only to abandon it after two years.

"Our experience was not a happy one," said Karl Hess, assistant store promotions manager. "It was difficult to end up with a high service level and the level of customer satisfaction we demand at our stores."

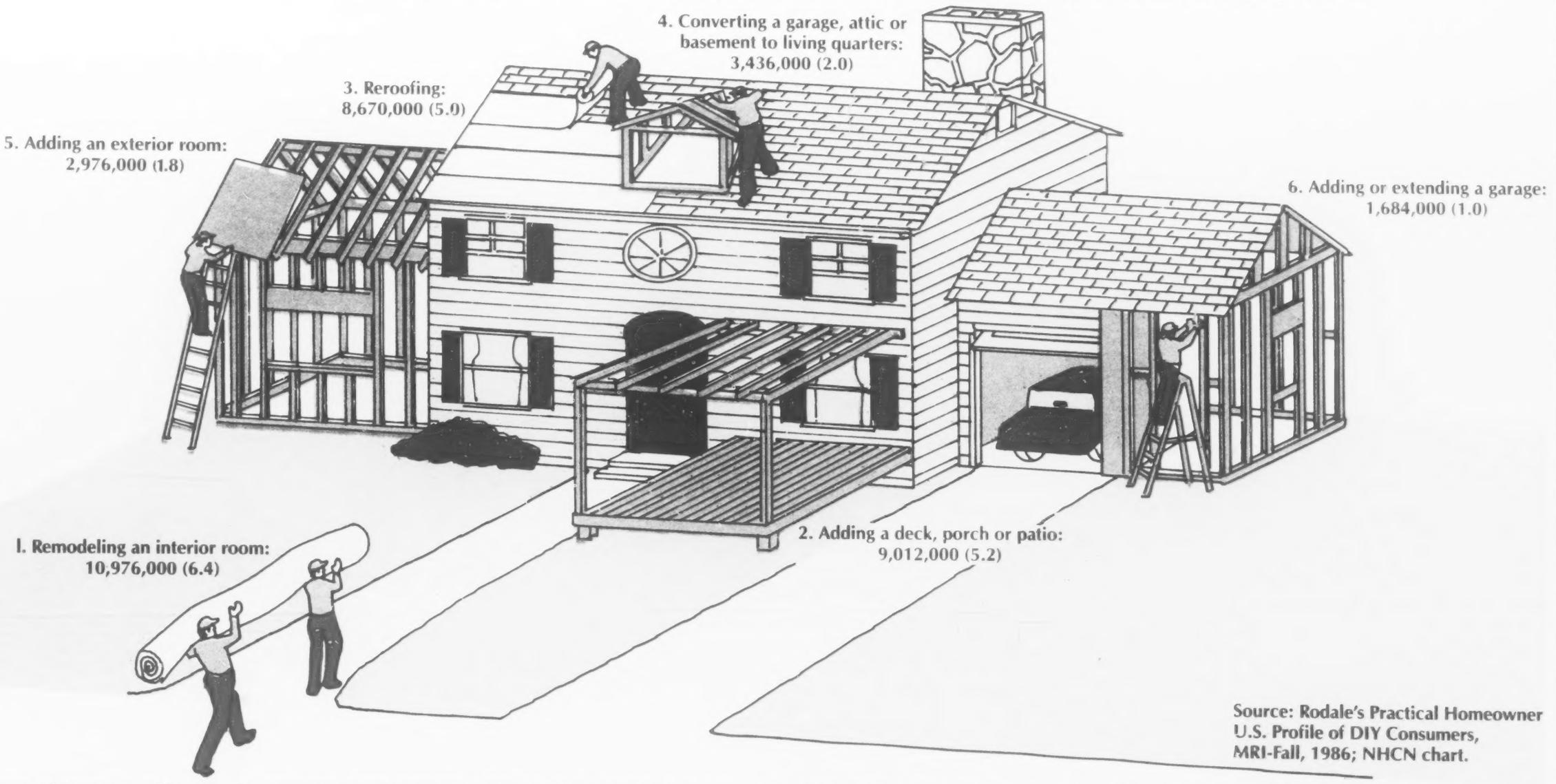
Delays in completing jobs, and less than stellar contractor attitudes toward customers, caused the dissatisfaction, noted Hess. Orchard's liberal

(Continued on page 23)

ROOM ADDITIONS

Americans improve and expand their homes

Number of U.S. adults completing selected home improvement projects (percentage of total adult population)


4. Converting a garage, attic or basement to living quarters: 3,436,000 (2.0)
3. Reroofing: 8,670,000 (5.0)
5. Adding an exterior room: 2,976,000 (1.8)
6. Adding or extending a garage: 1,684,000 (1.0)
1. Remodeling an interior room: 10,976,000 (6.4)
2. Adding a deck, porch or patio: 9,012,000 (5.2)

Source: Rodale's Practical Homeowner U.S. Profile of DIY Consumers, MRI-Fall, 1986; NHCN chart.

A recent survey of home improvement project activity among America's 172 million adults found that nearly 11 million had completed an interior remodeling job over the past two years. The study, some of whose findings appear in charts and an article starting on page 24, found a remarkable amount of project activity among adults living in rural markets, in New England, and those more affluent consumers.

(Continued from page 22)

this part of their business, if cultivated, can only get bigger.

An estimated $927 million was spent in the first quarter of 1986 on room additions and other space enlargements (which includes everything from attached garages and attics to astronomical observatories) of single-family, owner-occupied homes. This was nearly double the $563 million spent during the same period the previous year, according to the Census Bureau's Construction Statistics Division.

This spending activity reinforces an image of industry robustness that faded a bit in 1985, when room addition expenditures were off 35% to $3.4 billion.

Waggoner, the store manager at National Home Center, estimated that the average "package sale" for a room addition at his store runs about $10,000, with project sells in general accounting for 30% to 40% of his unit's monthly gross revenues.

"It's an important business for us," Waggoner said. "If a guy does a $10,000 room addition, and we have a lot of them, we usually get about a 25% margin.

"That's $2,500 in gross profit, coming from a salesman who makes $6 an hour, but who's selling add-on items that improve his commission."

Four key program elements

But to get a piece of this action, retailers who pursue room additions insist that their stores must fine tune some operational areas in order to profit from project selling. These include having knowledgeable people, material delivery, fast and accurate materials project lists with quotes and inventory commitment to the concept.

In the case of National, which actively promotes itself as being project oriented, the engine running its project selling machinery is a computerized take-off and estimating system that gives a shopper a product list and package price, good for seven days.

Waggoner said his store's project "system" can serve both the shopper who comes in with an architect's blueprint, or one with only the sketchiest idea of what he has in mind.

Another company that heavily promotes project sells and depends on a computer for backup support is Knox Lumber, St. Paul, Minn.

Knox's computer can automatically provide materials lists and quotes for several big-ticket projects, thereby eliminating the time-consuming guesswork associated with doing this manually, said vp-operations Jack Walsh.

Delivery, another consensus prerequisite for a successful project selling program, means a lot to Builders Square, the San Antonio-based warehouse chain. "I don't know if you can sell projects if your'e not going to deliver," said Bill Lieb, store manager of the chain's Braddock Hills, Pa., unit. He said the company's delivery charges are $15 for the first 10 miles and $1 for every mile after that.

In-store sales help

Builders Square and other chains such as the San Diego-based Dixieline fall somewhere between the extremes of companies that pursue a promotion-to-delivery project selling approach and those firms that do little.

Officials at both Builders Square and Dixieline insist that what their stores' lack in project advertising or advanced systems for materials listing and pricing, they make up for with experienced sales help and an internal operation geared towards the sale of projects.

Dealer project sales at issue

Executives for some contractor-oriented companies indicated that because a good chunk of their clientele is involved every day in major projects, there is little need to promote or provide any DIY-type services.

In fact, Tom O'Malley, vp of Gerrity Building Centers, Meredith, N.H., a 17-unit chain that drew 93% of its $159 million 1985 sales volume from builders, frowned on the prospect of an ill-prepared consumer shopping his stores for a room addition.

"If a home owner shopped here for a room addition I think they had better have a lot of questions answered beforehand," O'Malley said. "I'm not so certain stores that are 100% DIY can help them either. If you're 100% DIY, you have to consider 'do I carry the products to do this.' "

makes dealers fret about installed sales programs

(Continued from page 22)

return policy meant many of the project sales were coming back to the stores.

"We had a guy running our program who was a great salesman, but who didn't have the follow up," said Pat Behan, whose 34-store chain tried an IHI program unsuccessfully in the early 1970's. "He didn't have the right contractors to get the jobs done on time."

Many customers complained their kitchens were torn up for extended periods of time.

And the definition of a completed job is apparently open to question.

"Your idea of a completed job differs from the customer's idea," noted Behan. Ergo, more customer ill will and more trips to the job sites.

"For every 10 jobs, you might make nine customers happy, but the one customer is so unhappy it causes monumental problems," he said.

Customer complaints can trail in long after the retailer thinks the case has been closed.

"We would get calls from people 10 to 12 months after work was done, that the screws were coming out of their storm doors and they wanted us to fix them," said Behan.

Jim Cohen, president of Central Hardware in St. Louis, said that providing IHI is more difficult than a person might anticipate. Cohen's chain recently initiated IHI in more of its stores.

"It's fraught with problems," said Cohen. "One is getting competent help.

"We are new at it, and we were not as successful as we would like to be. We are monitoring results almost daily."

As a home center chain expands into new markets, maintaining an IHI program becomes more difficult. The scheduling of work, and quality control, can become complex. Channel Home Centers offered IHI over a decade ago, but dropped the service when it began opening stores far afield.

One possible solution to continuing scheduling problems is to hire labor on a full-time basis. But retailers noted this means dealing with a variety of unions.

All American Home Center, Downey, Calif., is one consumer-oriented retailer that has been very successful with IHI. The company has but one location, making contractor control easier.

Further, the store's large volume—expected to exceed $28 million for 1986—means contractors are kept working almost exclusively for the store. That aids quality control.

Cheri Sherr, store manager, said that last fall All American added two more contractors to handle increased demand. The store had been using the services of a single contractor previously.

PROJECT SELL: ROOM ADDITIONS AND REMODELING

New study finds broader project activity

By an NHCN staff editor

NATIONAL REPORT — The predictably "typical" image of a home remodeling DIYer is aged 35 to 64 with a medium income, owning a modestly priced suburban home that he's lived in for five years or more.

But home centers that market their project-oriented merchandise primarily to customers fitting this demographic mold could miss a larger segment of the population which, according to a newly published, comprehensive survey of consumers' remodeling activity, is engaging in such projects as avidly as the more conspicuous consumer-remodeler group.

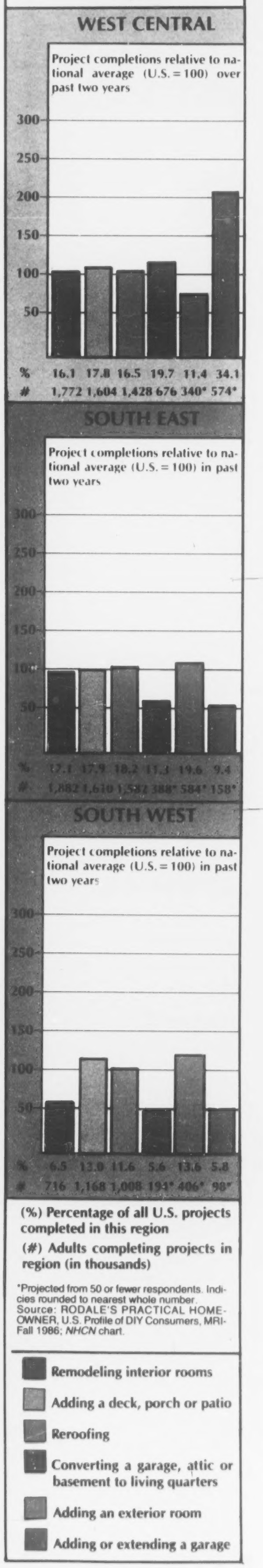
Based on the survey's findings, retailers may want to rethink their project sell programs to meet the needs of the broader remodeler universe that is uncovered.

The study, conducted for a full year and released last month by Rodale Press' *Practical Homeowner* magazine, surveyed more than 20,000 U.S. consumers on what home improvements they did over the past two years. A major section of the study focuses on 10 major home remodeling jobs and traces remodeling activity among consumers by household income, geographic region, time of residence in the home, age, marital status and home ownership.

The study is nationally projectable to reflect activity among the close to 172 million adults over 18 years old.

It shows a remarkable amount of activity going on in rural areas; in New England, which all of a sudden has become a hotbed of home center expansion; among homeowners with incomes above $50,000 and homes worth more than $100,000; and, in some cases, among newer, 18- to 34-year-old homeowners.

(Continued on page 28)


WEST CENTRAL
Project completions relative to national average (U.S. = 100) over past two years
300
250
200
150
100
50
% 16.1 17.8 16.5 19.7 11.4 34.1
# 1,772 1,604 1,428 676 340* 574*
SOUTH EAST
Project completions relative to national average (U.S. = 100) in past two years
300
250
200
150
100
50
% 17.1 17.9 18.2 11.3 19.6 9.4
# 1,882 1,610 1,582 388* 584* 158*
SOUTH WEST
Project completions relative to national average (U.S. = 100) in past two years
300
250
200
150
100
50
% 6.5 13.0 11.6 5.6 13.6 5.8
# 716 1,168 1,008 193* 406* 98*
(%) Percentage of all U.S. projects completed in this region
(#) Adults completing projects in region (in thousands)
*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI-Fall 1986; NHCN chart.
Remodeling interior rooms
Adding a deck, porch or patio
Reroofing
Converting a garage, attic or basement to living quarters
Adding an exterior room
Adding or extending a garage

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PROJECT SELL: ROOM ADDITIONS AND REMODELING

Broader project activity shown in study

(Continued from page 24)

Also unveiled was the relative dearth of activity going on in the South and Pacific regions, despite the tremendous amount of expansion there by home improvement chains.

What's a typical remodeler?

The *Practical Homeowner* study asked consumers about 10 projects they engaged in since 1984, of which *NHCN* examines the data for six—room remodeling; adding a deck, porch or patio; reroofing; converting a garage, attic or basement to living space; adding an exterior room; and adding or extending a garage.

In most cases, the study statistically validates the conventional wisdom about which consumers do home remodeling projects. Half of the room remodelings—a project completed by 6.4% of the adult population during this period—were done by consumers whose household incomes were between $25,000 and $49,999; nearly two thirds of the conversions of garages and other areas into living spaces were accomplished by DIYers.

Rural markets active

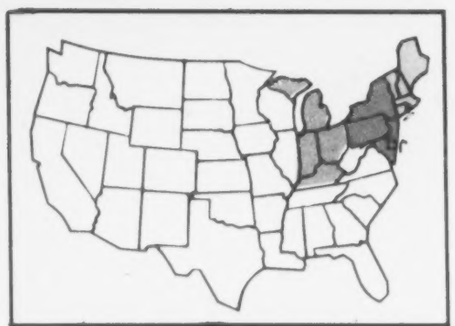
However, the study also takes the percentage of persons completing a project within specific demographic groups, and compares it with the national average for each project to develop a ratio of relative remodeling activity.

In many instances this "index" either varies markedly from the statistical assessment, or exposes some otherwise unseen or possibly ignored remodeling subgroup.

One of the more surprising findings in the study was the level of remodeling activity manifested by consumers living in rural communities.

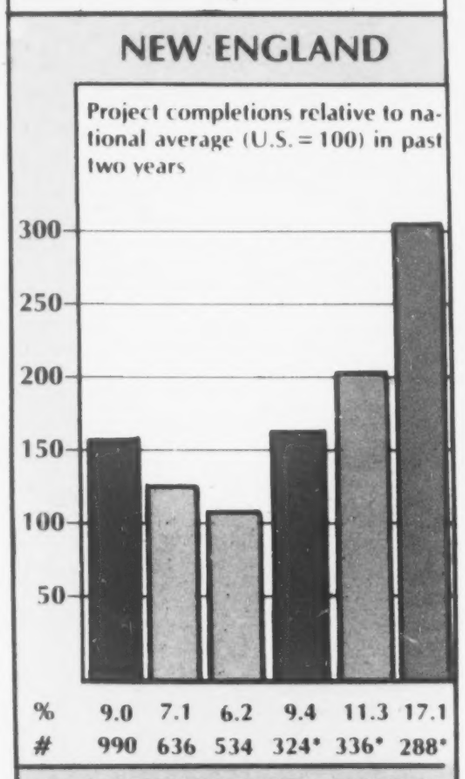
Statistically, rural consumers did nearly half of all the ga-

(Continued on page 30)



NEW ENGLAND

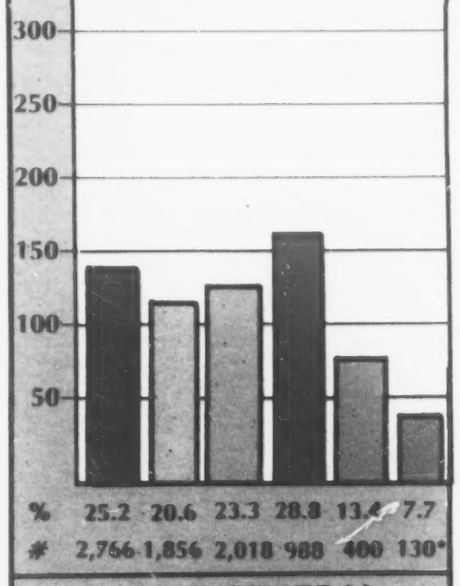
Project completions relative to national average (U.S. = 100) in past two years



%	9.0	7.1	6.2	9.4	11.3	17.1
#	990	636	534	324*	336*	288*

MIDDLE ATLANTIC

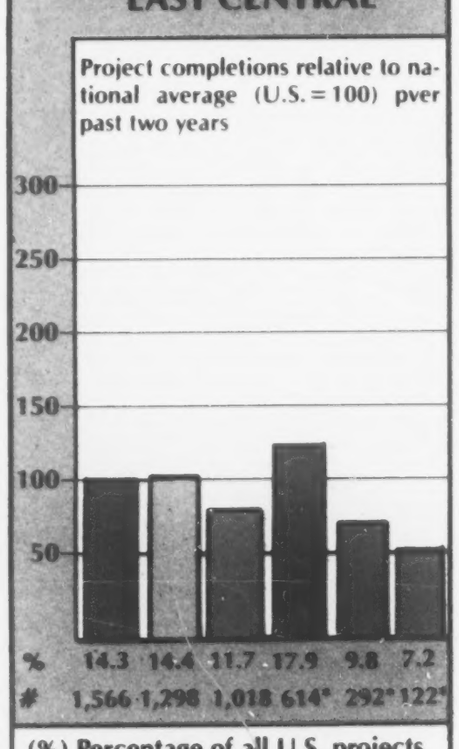
Project completions relative to national average (U.S. = 100) over past two years



%	25.2	20.6	23.3	28.8	13.4	7.7
#	2,766	1,856	2,018	988	400	130*

EAST CENTRAL

Project completions relative to national average (U.S. = 100) pver past two years



%	14.3	14.4	11.7	17.9	9.8	7.2
#	1,566	1,298	1,018	614*	292*	122*

(%) Percentage of all U.S. projects completed in this region.

(#) Adults completing projects in region (in thousands)

*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI-Fall 1986; *NHCN* chart.

- Remodeling interior rooms
- Adding a deck, porch or patio
- Reroofing
- Converting a garage, attic or basement to living quarters
- Adding an exterior room
- Adding or extending a garage

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PROJECT SELL: ROOM ADDITIONS AND REMODELING

New study shows need for project marketing

(Continued from page 28)
age-extending projects, and two fifths of the exterior room addition jobs.

And when project activity is indexed by location, rural dwellers were the only group whose activity level was higher than the national average of 100 when it came to reroofing their homes. Their index was more than double either city or suburban respondents for completing an exterior room addition, and more than three times the indices of these other groups for garage extensions.

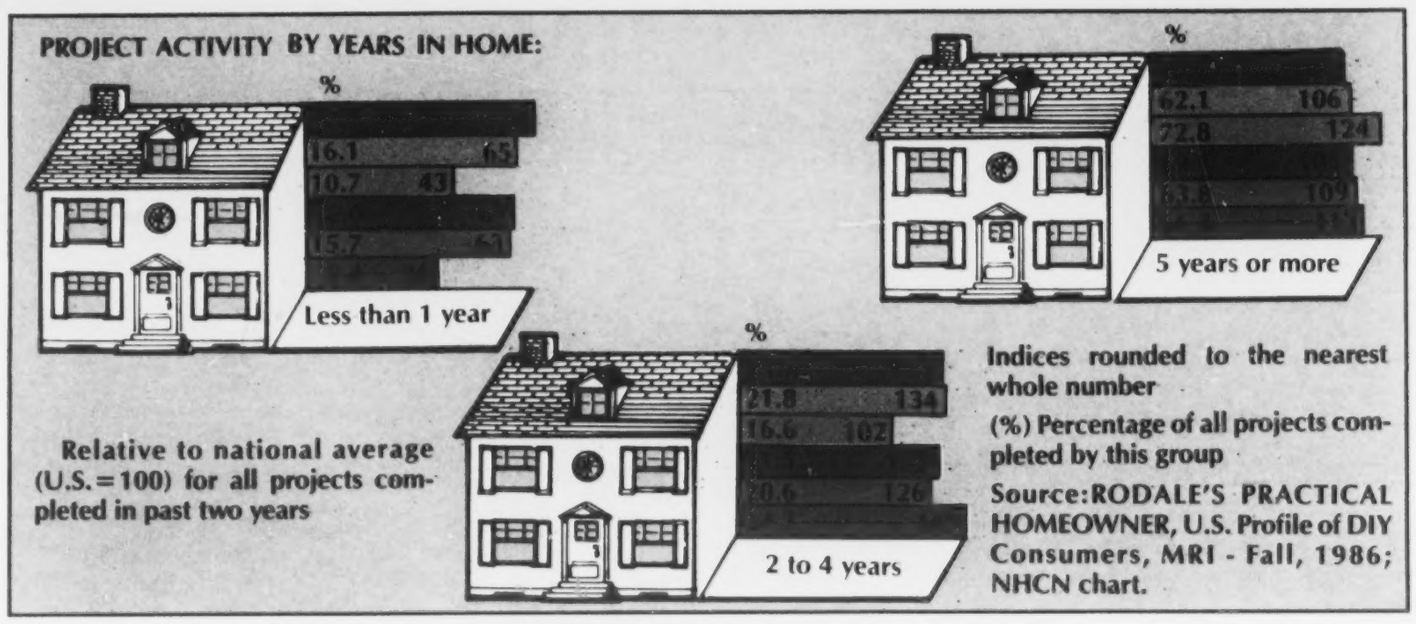
Home tenure, worth viewed

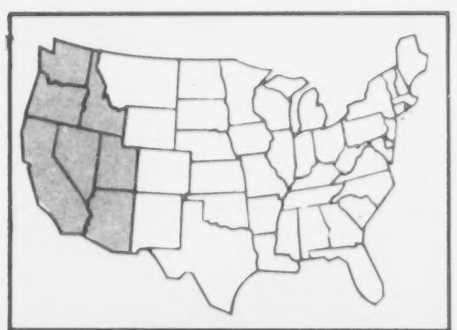
It stands to reason, and the *Practical Homeowner* study shows, that people who have lived longer in their homes are doing the bulk of the remodeling projects nationwide. At least three fifths of the projects completed in all six job categories were done by consumers who have resided in their homes at least five years; this group did more than seven out of 10 reroofing jobs.

But when the study's data is indexed, one finds that consumers with less time in their houses are equally active remodelers. Take, for example, garage extensions: Those in their homes two to four years registered a higher index—149.2—than those in their homes five years or more.

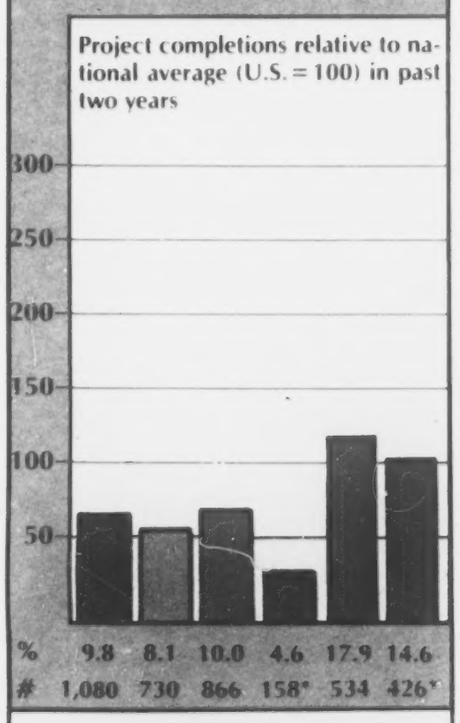
In all the projects but reroofing, the remodeling activity index for those consumers living in their homes from two to four years was higher than for those with tenures of five years or more.

(Continued on page 31)


PROJECT ACTIVITY BY YEARS IN HOME:
%
16.1 65
10.7 43
15.7 63
Less than 1 year
%
62.1 106
72.8 124
3.8 109
5 years or more
%
21.8 134
16.6 102
20.6 126
2 to 4 years
Relative to national average (U.S.=100) for all projects completed in past two years
Indices rounded to the nearest whole number
(%) Percentage of all projects completed by this group
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI - Fall, 1986; NHCN chart.



PACIFIC



(%) Percentage of all U.S. projects completed in this region

(#) Adults completing projects in region (in thousands)

*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers. MRI-Fall 1986; *NHCN* chart.

- **Remodeling interior rooms**
- **Adding a deck, porch or patio**
- **Reroofing**
- **Converting a garage, attic or basement to living quarters**
- **Adding an exterior room**
- **Adding or extending a garage**

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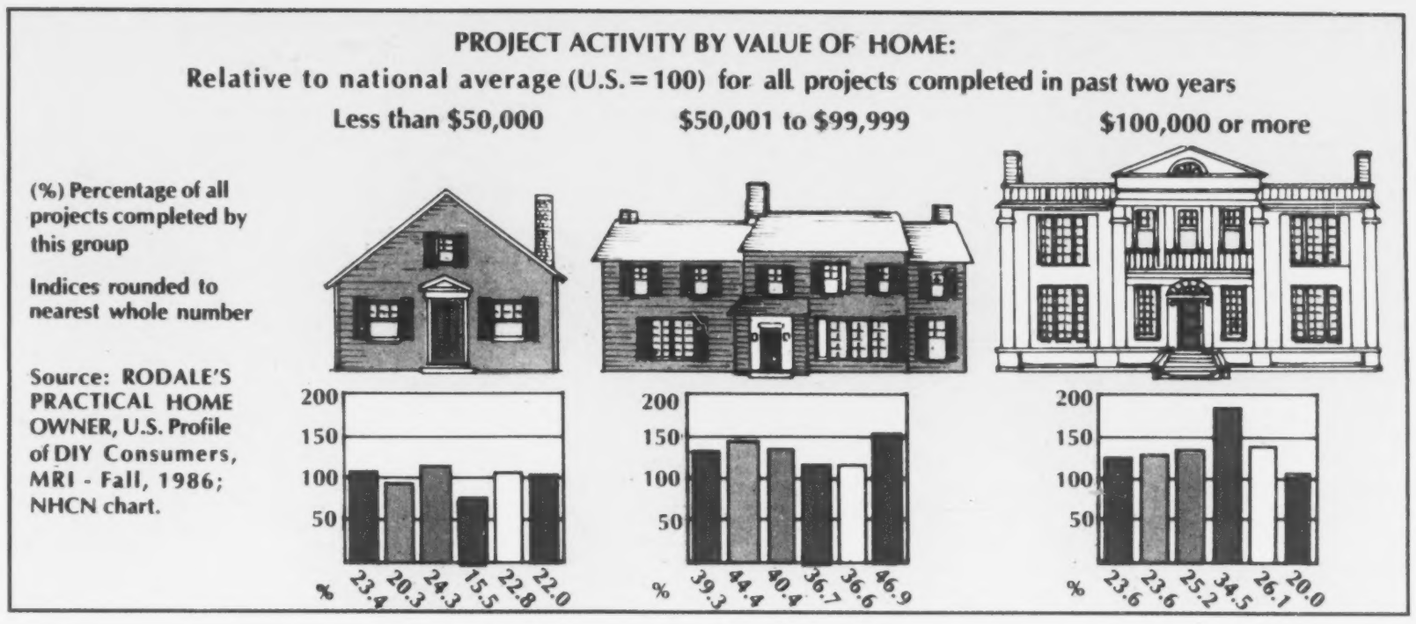
PROJECT SELL: ROOM ADDITIONS AND REMODELING


PROJECT ACTIVITY BY VALUE OF HOME:
Relative to national average (U.S. = 100) for all projects completed in past two years
Less than $50,000
$50,001 to $99,999
$100,000 or more
(%) Percentage of all projects completed by this group
Indices rounded to nearest whole number
Source: RODALE'S PRACTICAL HOME OWNER, U.S. Profile of DIY Consumers, MRI - Fall, 1986; NHCN chart.
200
150
100
50
%
23.4 20.3 24.3 15.5 22.8 22.0
39.3 44.4 40.4 36.7 36.6 46.9
23.6 23.6 25.2 34.5 26.1 20.0

Rural DIYers among most active remodelers in study

(Continued from page 30)

The study also reveals a high level of activity among people with loftier income levels living in costlier homes.

Those consumers with incomes between $25,000 and $49,999 and with homes worth between $50,000 and $99,999 completed the highest number of projects in all six project categories. About three fifths of the garage extensions and more than half of the space conversions into living quarters were accomplished by this income group.

But this doesn't tell the full story. People owning homes worth $100,000 or more did virtually the same number of space conversions to living quarters—35%—as those in less-expensive dwellings. One quarter of all exterior room additions were done by consumers whose homes are worth $100,000 or more. And one third of all deck/porch/patio constructions were conducted by people with incomes over $50,000.

The index for consumers with homes worth $50,000 to $99,999 and $100,000-plus was a dead heat for room remodeling. People with incomes of $50,000 or more registered the highest index—131.3—for reroofing projects.

Activity hot in New England

The greatest number of projects in four of six categories were completed by consumers living in the Middle Atlantic states.

But the index of consumers' project activity for adding or extending a garage in New England was 304.4, or more than three times the national average, and slightly less than 50% higher than the index of 214.2 for the West Central region where activity in this project was numerically the highest.

Even though New England accounted for only 11.3% of all the completions of exterior room additions (compared to nearly 20% in the South East sector), New England's index of 200.9 headed all other regions by a wide margin (the next highest was 117.7 in the South West).

The geographic indices revealed where pockets of activity for different projects existed, and reflect a consumer's need to remodel based on the relative age of an area's home stock. The Pacific index exceeded the national average in two projects—exterior room additions and garage extensions—but only registered a meager 31.8 for conversion of home areas to living quarters. The South West doesn't fare much better: Its index for living space conversions was only 48.7, and 56.3 for room remodeling.

The above information, provided to NHCN by Rodale Press' Practical Homeowner magazine, is a customized data tabulation culled from Mediamark Research Incorporated's (MRI) Fall 1986 survey of U.S. consumers.

From September 1985 through August 1986, MRI interviewed 20,493 U.S. adults in their homes about their remodeling activity. The study's findings are nationally projectable to the 171,169,000 adult population.

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Difference in local economies cause sales to vary by region

(Continued from page 12)
will help domestic producers to displace foreign competition. High tech faltered in 1986 as consumers absorbed the equipment of the past while awaiting the promised equipment of the future.

The industry began to recover in the fall of 1986 and is expected to expand in 1987. Building material sales in the South Atlantic states, especially Florida and North Carolina where there is a growing high-tech manufacturing base, will grow above average. Automobile manufacturing will be the exception to this rule, as the industry adjusts for the sales' promotions of 1986.

Moderate growth

Growth near the national average will take place in areas with a diverse economy or those that have already enjoyed rapid expansions in the current recovery.

The broad-based California economy dominates the West. The Mountain states have a concentration in manufacturing which will offset their weaknesses in mining, energy and agriculture.

New England and the Middle Atlantic states were the star performers in 1986 for housing starts and building material sales, but housing demand will soften in 1987 as the prices of new homes and resales are too high to be affordable for potential buyers. Sales to the do-it-yourself market in the Northeast will remain strong in 1987.

Weak Growth

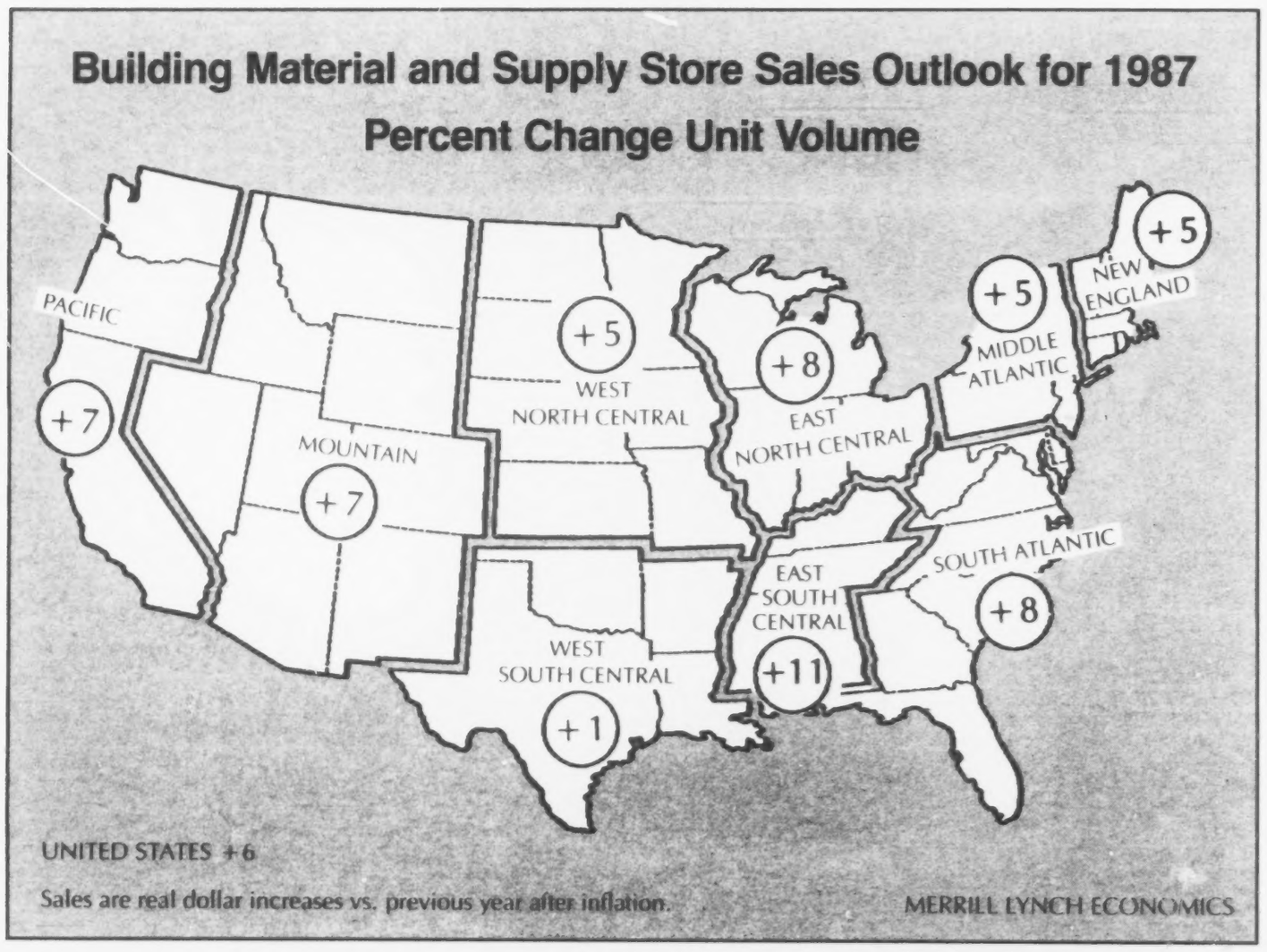
Energy and agriculture will remain the weakest sectors of the economy in 1987 and building material sales in regions with concentrations in these industries will remain soft.

The good news about these sectors is that the worst is over. Farm income has stabilized and energy prices have stopped their fall.

However, due to the existing surplus and increased comeptition from abroad, these markets will not rebound until 1988.

The energy producing West South Central states, the agricultural West North Central states (with Missouri as an exception there), and those Mountain states in agriculture and mining will be below the national average.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.



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Product of the month

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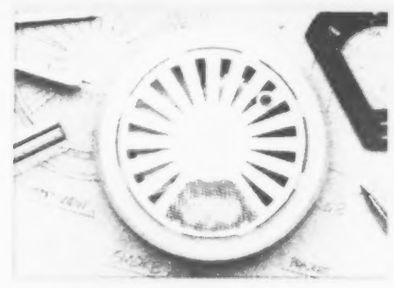

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Waxman purchases Keystone Franklin

By an NHCN staff editor

BEDFORD HEIGHTS, Ohio — Waxman Industries signed a definitive agreement to purchase for an undisclosed amount of cash all the outstanding stock of Keystone Franklin, a manufacturer of plumbing, specialty and floor protective hardware products. The deal was slotted to close on Dec. 30, 1986.

Armond Waxman, president of Waxman Industries, said that Keystone's floor protective hardware products are expected to be an important new category for Waxman, which supplies a wide variety of plumbing, electrical and hardware products.

He also said that the acquired company brings Waxman some important new customers, such as Sears and K mart. Keystone's management team will remain in place after the acquisition is completed.

Keystone, based in Fort Washington, Pa., a suburb of Philadelphia, is expected to achieve 1986 sales of approximately $22 million.

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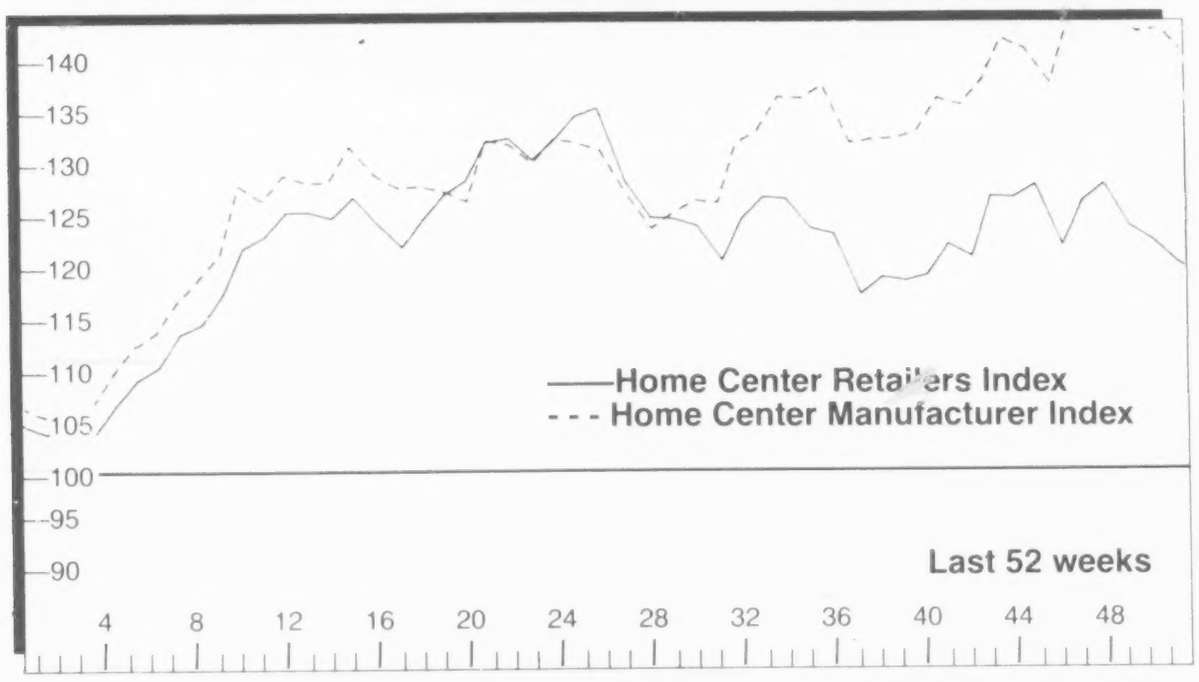
FINANCIAL NEWS

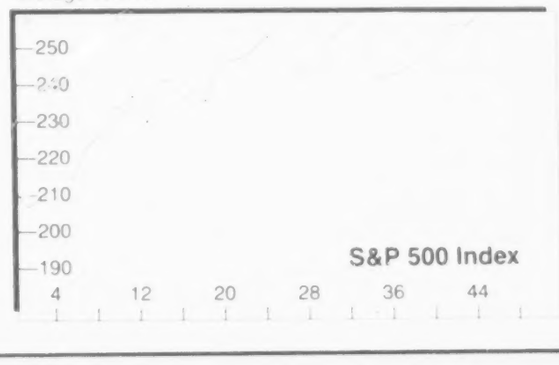


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
1-9-87	(100)	%	%
Color Tile ..... M	859	727.3	3.4
Hechinger B ..... M	2,422	488.0	1.5
Macmillan Bloedel ..... M	1,652	430.0	10.7
Mor-Flo Inds ..... M	221	278.3	3.7
INTERCO Inc ..... N	14,468	274.8	3.0
Waxman Ind ..... M	1,455	258.1	13.6
Hechinger A ..... M	6,122	256.7	1.5
Pope & Talbot ..... N	3,939	245.3	28.5
Stanline Inc ..... M	327	244.6	2.9
Certain-teed ..... N	3,180	200.0	4.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Mich General ..... A	1.63	30.0	3,139
Pope & Talbot ..... N	29.88	28.5	3,939
Owens Ill Fibr ..... N	16.50	26.9	52,109
SW Forest Ind ..... N	20.88	19.3	13,230
Natl Hardgoods ..... M	8.25	17.9	97
Supermkts Gen ..... N	27.25	14.7	15,618
Natl Lumber ..... M	4.56	14.1	465
Waxman Ind ..... M	18.75	13.6	1,455
Am Woodmark ..... M	13.88	13.3	771
Wolohan Lumber ..... M	9.00	12.5	1,280
Losers	$	%	(100)
Allegheny Int ..... N	11.75	- 9.6	4,802
Manville Cp ..... N	1.88	- 6.3	8,103
Svc Merchandise ..... M	7.50	- 1.6	25,064
Forest City Ent ..... A	30.38	.0	36
Std Brd Pnt ..... N	21.75	1.2	2,355
Hechinger B ..... M	17.00	1.5	2,422
Hechinger A ..... M	16.75	1.5	6,122
Walter, Jim ..... N	51.25	2.2	6,980
Lowe's Cos ..... N	27.75	2.3	9,925
Payless Cash ..... N	20.00	2.6	9,047

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 1-09-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Color Tile ..... M	30.00	1.00	3.4	30.00	29.00	33.00	19.50	859	.91	.11	727.3	19.0	.00	.0	.....	fiscal	06-86
Forest City Ent ..... A	30.38	.00	.0	30.38	30.13	33.50	22.00	36	.05	.13	- 61.5	19.0	.30	1.0	.....	9 mos.	10-86
Grace W R ..... N	53.25	3.13	6.2	54.00	48.25	60.75	45.25	26,044	6.27	3.78	65.9	18.1	2.80	5.3	.....	9 mos.	09-86
Hechinger A ..... M	16.75	.25	1.5	16.75	16.50	23.59	15.00	6,122	5.60	1.57	256.7	NA	.16	1.0	.....		00-00
Hechinger B ..... M	17.00	.25	1.5	17.00	16.25	23.59	15.19	2,422	1.47	.25	488.0	19.8	.06	.4	.....	9 mos.	10-86
Home Depot ..... N	19.50	.75	4.0	20.13	17.88	21.75	10.75	8,346	3.31	1.69	95.9	26.4	.00	.0	.....	9 mos.	10-86
INTERCO Inc ..... N	38.88	1.13	3.0	39.00	36.63	47.63	33.50	14,468	5.06	1.35	274.8	12.8	1.60	4.1	.....	6 mos.	08-86
K mart Cp ..... N	48.38	4.38	9.9	48.63	43.25	57.38	33.63	42,578	3.29	2.11	55.9	20.8	1.48	3.1	.....	9 mos.	10-86
Lowe's Cos ..... N	27.75	.63	2.3	28.25	25.50	41.50	22.50	9,925	2.50	2.18	14.7	18.9	.40	1.4	.....	9 mos.	10-86
Mich General ..... A	1.63	.38	30.0	1.75	1.38	5.25	1.00	3,139	1.76	.87	102.3	NE	.00	.0	.....	9 mos.	09-86
Natl Hardgoods ..... M	8.25	1.25	17.9	8.25	7.00	9.31	5.69	97	.79	.44	79.5	19.6	.00a	.0	.....	9 mos.	10-86
Natl Lumber ..... M	4.56	.56	14.1	5.00	4.00	7.00	4.00	465	.83	.44	88.6	NE	.00	.0	.....	*	10-86
Pay N Pak ..... N	12.00	.50	4.3	12.13	10.88	19.38	9.50	3,592	3.59	1.49	140.9	18.2	.40	3.3	.....	9 mos.	11-86
Payless Cash ..... N	20.00	.50	2.6	20.50	18.88	27.50	14.88	9,047	2.61	1.67	56.3	16.3	.16	.8	.....	9 mos.	08-86
Scotty's Inc ..... N	13.50	.88	6.9	13.75	12.00	18.13	12.00	2,161	1.49	.90	65.6	16.1	.52	3.9	.....	3 mos.	09-86
Sears, Roebuck ..... N	43.63	3.00	7.4	43.88	39.00	50.38	36.25	78,906	2.11	.98	115.3	11.9	1.76	4.0	.....	9 mos.	09-86
Svc Merchandise ..... M	7.50	- .13	- 1.6	8.00	7.25	15.00	7.50	25,064	7.52	4.73	59.0	NE	.08	1.1	.....	9 mos.	09-86
Std Brd Pnt ..... N	21.75	.25	1.2	22.63	21.00	27.00	19.38	2,355	2.08	1.27	63.8	17.7	.58	2.7	.....	9 mos.	10-86
Supermkts Gen ..... N	27.25	3.50	14.7	27.50	22.63	32.25	22.50	15,618	4.05	1.48	173.6	16.0	.28	1.0	.....	9 mos.	10-86
Wickes Cos ..... A	3.88	.25	6.9	3.88	3.38	7.00	3.25	70,406	2.97	1.94	53.1	10.5	.00	.0	.....	9 mos.	10-86
Wolohan Lumber ..... M	9.00	1.00	12.5	9.25	7.88	10.75	5.75	1,280	2.18	1.54	41.6	10.8	.20	2.2	.....	9 mos.	09-86
Zayre Corp ..... N	26.63	1.25	4.9	26.88	23.50	43.88	20.75	21,018	3.56	3.09	15.2	18.6	.32	1.2	.....	9 mos.	10-86
Wholesalers																	
Lewis Palmer ..... M	8.00	.75	10.3	8.25	7.25	9.88	7.13	868	2.21	1.56	41.7	25.0	.28	3.5	.....	9 mos.	10-86
Stanline Inc ..... M	9.00	.25	2.9	10.00	8.00	12.13	7.84	327	1.93	.56	244.6	10.8	.32b	3.6	.....	9 mos.	07-86
Manufacturers																	
Allegheny Int ..... N	11.75	- 1.25	- 9.6	13.25	11.38	25.25	11.38	4,802	4.46	1.94	129.9	NE	.00	.0	.....	9 mos.	09-86
Am Standard ..... N	44.75	2.25	5.3	45.25	41.88	46.88	36.00	9,067	2.41	1.15	109.6	8.9	1.60	3.6	.....	6 mos.	06-86
Am Woodmark ..... M	13.88	1.63	13.3	13.88	12.00	14.75	10.00	771	1.12	.61	83.6	12.7	.00	.0	.....	6 mos.	10-86
Armstrng Wrld ..... N	32.38	1.13	3.6	32.75	29.00	35.00	19.81	11,168	2.32	1.26	84.1	13.6	.84	2.6	.....	9 mos.	09-86
Black & Decker ..... N	17.25	.88	5.3	17.38	15.88	25.25	14.50	18,800	3.24	1.78	82.0	35.2	.40	2.3	.....	fiscal	09-86
Boise Cascade ..... N	67.25	6.25	10.2	68.00	59.25	68.00	44.50	11,008	3.76	1.64	129.3	23.3	1.90	2.8	.....	9 mos.	09-86
Certain-teed ..... N	32.38	1.50	4.9	33.00	31.25	38.50	22.63	3,180	1.68	.56	200.0	10.8	.90	2.8	.....	9 mos.	09-86
Champ Intl ..... N	35.50	3.63	11.4	36.25	30.50	36.25	22.50	43,686	4.64	2.93	58.4	20.2	.52	1.5	.....	9 mos.	09-86
DeSoto Inc ..... N	39.50	1.25	3.3	39.63	38.00	42.63	30.25	477	1.00	.59	69.5	29.7	1.40	3.5	.....	9 mos.	09-86
Emhart Corp ..... N	36.25	2.50	7.4	37.50	32.00	42.63	30.25	7,507	2.42	1.19	103.4	NE	1.40	3.9	.....	9 mos.	09-86
Genova ..... M	5.00	.25	5.3	5.13	4.75	5.63	4.38	133	.35	.14	150.0	11.6	.10	2.0	.....	fiscal	09-86
Georgia-Pacifc ..... N	42.38	3.75	9.7	42.88	36.75	42.88	24.75	36,477	3.52	1.85	90.3	22.1	1.00	2.4	.....	9 mos.	09-86
Insilco Corp ..... N	20.75	.63	3.1	21.13	19.75	23.56	16.66	2,650	1.28	1.29	- .8	16.0	1.00b	4.8	.....	9 mos.	09-86
La Pacific ..... N	34.88	3.13	9.8	35.75	30.63	35.75	20.41	13,408	3.63	1.92	89.1	22.9	.80b	2.3	.....	9 mos.	09-86
Macmillan Bloedel ..... M	33.75	3.25	10.7	34.00	29.50	33.75	16.50	1,652	.53	.10	430.0	NA	.75	NA	.....	9 mos.	09-86
Manville Cp ..... N	1.88	- .13	- 6.3	2.00	1.75	8.88	1.63	8,103	3.38	2.48	36.3	.8	.00	.0	.....	9 mos.	09-86
Masco Corp ..... N	30.50	1.13	3.8	30.63	28.50	34.50	19.56	19,936	1.55	.99	56.6	16.4	.36	1.2	.....	9 mos.	09-86
Mor-Flo Inds ..... M	14.00	.50	3.7	14.00	13.50	19.25	12.00	221	.87	.23	278.3	15.6	.01	.1	.....	9 mos.	09-86
Newell Co ..... N	28.00	1.63	6.2	28.88	25.75	36.75	21.13	3,195	2.79	1.12	149.1	13.0	.84	3.0	.....	9 mos.	09-86
Owens Ill Fibr ..... N	16.50	3.50	26.9	16.50	12.75	16.50	8.88	52,109	13.91	NC	NC	NA	.00	.0	.....		00-00
Ply-Gem ..... A	14.50	1.50	11.5	14.63	13.13	15.50	10.00	2,715	3.38	2.25	50.2	16.7	.12	.8	.....	9 mos.	09-86
Pope & Talbot ..... N	29.88	6.63	28.5	30.00	22.88	30.00	17.25	3,939	6.56	1.90	245.3	22.5	.80	2.7	.....	9 mos.	09-86
Potlatch Cp ..... N	63.25	7.00	12.4	63.25	56.00	63.25	35.50	1,824	1.37	.71	93.0	16.7	1.68	2.7	.....	9 mos.	09-86
Sherwin-Wms ..... N	30.50	2.50	8.9	30.50	27.00	32.25	21.44	13,420	2.98	1.54	93.5	17.6	.50	1.6	.....	9 mos.	09-86
SW Forest Ind ..... N	20.88	3.38	19.3	21.00	17.38	21.00	11.88	13,230	10.78	3.60	199.4	NE	.00	.0	.....	9 mos.	09-86
Stanley Works ..... N	28.25	2.38	9.2	28.38	25.13	30.84	21.00	4,793	1.15	.79	45.6	14.6	.76	2.7	.....	9 mos.	09-86
Thos Inds ..... N	17.88	1.25	7.5	17.88	16.13	24.31	15.50	661	.67	.50	34.0	12.9	.62b	3.5	.....	9 mos.	09-86
USG Corp ..... N	39.75	1.00	2.6	40.75	37.50	46.50	22.75	16,798	2.64	2.70	- 2.2	11.6	1.12	2.8	.....	9 mos.	09-86
Walter, Jim ..... N	51.25	1.13	2.2	51.50	47.25	54.63	32.59	6,980	2.20	1.53	43.8	11.0	1.40	2.7	.....	3 mos.	11-86
Waxman Ind ..... M	18.75	2.25	13.6	19.25	15.75	19.00	12.25	1,455	4.62	1.29	258.1	19.5	.08	.4	.....	3 mos.	09-86
Weyerhaeuser ..... N	41.75	2.38	6.0	41.88	37.50	41.88	29.63	50,865	3.90	1.37	184.7	25.5	1.30	3.1	.....	9 mos.	09-86

Company and Market	Financial Update: Latest Quarter: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.
-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers												
Color Tile ..... M	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent ..... A	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R ..... N	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Hechinger A ..... M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	149.1	26.0	6.3	14.5	.21	16.7	448.1	23.7	19.6	18.8	64	14.3
Home Depot ..... N	251.5	41.5	3.9	225.0	.15	275.0	737.6	48.4	16.2	189.3	.63	186.4
INTERCO Inc ..... N	625.7	- 2.8	23.4	.9	.74	1.4	1204.9	- 2.3	37.8	9.9	1.20	10.1
K mart Cp ..... N	5686.3	8.9	87.3	12.8	.66	10.0	16877.7	7.7	297.3	41.1	2.24	36.6
Lowe's Cos ..... N	594.3	8.2	12.5	- 19.9	.31	- 26.2	1786.1	11.8	45.1	- 6.8	1.16	- 12.8
Mich General ..... A	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	101.4	17.9	1.9	5.6	.19	5.6	315.2	21.6	5.3	- 23.2	.53	- 23.2
Payless Cash ..... N	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotty's Inc ..... N	118.7	7.6	1.6	- 42.9	.11	- 45.0	118.7	7.6	1.6	- 42.9	.11	- 45.0
Sears, Roebuck ..... N	11171.3	11.2	328.1	25.1	.88	23.9	31311.8	9.3	808.3	7.6	2.17	6.9
Svc Merchandise ..... M	329.5	- 37.6	(30.3)	NE	(.92)	NE	1413.2	- .5	(68.8)	NE	(2.07)	NE
Std Brd Pnt ..... N	85.9	- 4.6	4.2	5.0	.38	8.6	252.9	- 5.1	12.3	- 13.4	1.09	- 13.5
Supermkts Gen ..... N	1374.7	8.8	9.6	- 60.3	.24	- 29.4	4073.4	8.2	41.8	- .7	1.10	- 6.8
Wickes Cos ..... A	1254.8	- 14.5	33.0	114.3	.15	200.0	3361.7	11.6	69.5	252.8	.30	650.0
Wolohan Lumber ..... M	58.7	25.4	1.9	58.3	.33	65.0	141.9	25.2	3.6	63.6	.61	60.5
Zayre Corp ..... N	1316.4	30.5	22.9	- 15.2	.38	- 17.4	3573.6	32.6	48.6	- 16.5	.81	- 19.0
Wholesalers												
Lewis Palmer ..... M	60.0	50.4	.7	16.7	.17	6.3	140.4	27.2	1.2	50.0	.31	40.9
Stanline Inc ..... M	16.4	18.0	.5	66.7	.25	8.7	43.8	5.5	1.1	22.2	.61	- 9.0
Manufacturers												
Allegheny Int ..... N	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Standard ..... N	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark ..... M	31.9	31.3	2.3	109.1	.33	50.0	60.3	24.1	4.1	86.4	.63	43.2
Armstrng Wrld ..... N	506.0	13.3	35.6	26.7	.73	25.9	1423.9	13.6	92.3	17.9	1.91	17.2
Black & Decker ..... N	437.9	- 3.6	2.2	- 78.4	.03	- 85.0	1791.2	3.4	27.5	- 41.4	.49	- 46.7
Boise Cascade ..... N	959.5	2.7	13.3	- 34.5	.38	- 41.5	2821.2	- .8	69.6	- 18.4	2.28	- 19.7
Certain-teed ..... N	304.5	.1	19.9	8.7	1.04	11.8	845.6	- .3	46.6	8.4	2.45	12.4
Champ Intl ..... N	1110.9	- 16.5	63.8	68.3	.68	83.8	3329.6	- 27.2	136.3	9.0	1.39	13.9
DeSoto Inc ..... N	107.7	- 1.4	(3.8)	- 100.0	(.80)	- 100.0	336.0	1.8	3.5	- 69.0	.73	- 69.2
Emhart Corp ..... N	472.6	12.2	(71.2)	- 100.0	(2.30)	- 100.0	1510.1	17.0	(33.4)	- 100.0	(.98)	- 100.0
Genova ..... M	15.9	15.2	.7	.0	.19	- 5.0	51.8	4.2	1.6	6.7	.43	7.5
Georgia-Pacifc ..... N	1909.0	9.0	97.0	67.2	.90	73.1	5442.0	6.2	213.0	22.4	1.94	24.4
Insilco Corp ..... N	195.5	- 6.5	7.0	18.6	.27	- 3.6	572.9	- 10.1	25.3	12.4	1.14	.0
La Pacific ..... N	407.4	22.6	22.2	96.5	.60	93.5	1124.0	18.5	48.1	157.2	1.31	156.9
Macmillan Bloedel ..... M	657.6	10.1	31.7	162.0	.74	311.1	1969.5	13.6	110.0	388.9	2.73	2630.0
Manville Cp ..... N	511.1	8.4	26.7	NE	.85	NE	1457.2	3.7	63.9	NE	1.88	NE
Masco Corp ..... N	367.0	NC	51.3	NE	.40	NE	1002.0	123.1	148.0	537.9	1.15	101.8
Mor-Flo Inds ..... M	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co ..... N	106.3	15.3	7.4	37.0	.64	6.7	295.9	16.8	16.6	23.9	1.54	4.1
Owens Ill Fibr ..... N	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	59.2	49.9	1.6	45.5	.16	.0	168.9	37.3	6.0	93.5	.72	41.2
Pope & Talbot ..... N	78.1	- 4.8	4.3	115.0	.72	111.8	228.3	- 8.8	7.4	21.3	1.23	21.8
Potlatch Cp ..... N	249.9	4.3	16.7	47.8	1.18	81.5	733.1	1.4	49.8	49.5	3.53	82.9
Sherwin-Wms ..... N	604.1	4.4	32.3	11.0	.70	11.1	1705.1	1.6	69.7	10.1	1.50	8.7
SW Forest Ind ..... N	160.6	- 11.6	4.1	NE	.30	NE	461.6	- 13.1	(7.9)	NE	(.89)	NE
Stanley Works ..... N	388.3	30.7	20.1	3.6	.48	2.1	1115.1	25.9	55.3	5.1	1.32	3.1
Thos Inds ..... N	72.7	- 8.1	2.1	- 57.1	.22	- 56.9	220.6	- 4.9	9.6	- 20.0	.97	- 21.1
USG Corp ..... N	653.9	- .5	41.1	- 37.4	.65	- 33.7	2028.6	7.3	169.0	- .5	2.61	2.8
Walter, Jim ..... N	595.9	6.0	37.9	19.6	1.17	.9	595.9	6.0	37.9	19.6	1.17	.9
Waxman Ind ..... M	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weyerhaeuser ..... N	1397.3	8.2	62.2	61.1	.44	83.3	4201.4	5.9	180.6	32.3	1.21	36.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National
Home Center News ®

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Builders confident at NAHB convention

By Laura Liebeck
NHCN staff editor

DALLAS — The nation's home builders are confident 1987 will be a good year for new construction, even though industry economists have projected that starts will decline 12% to 1.6 million units this year, according to a survey released last month here at the National Association of Home Builders' (NAHB) annual convention.

Despite this, housing experts maintain 1987 will be a strong year. The starts decline will occur almost entirely in the multifamily housing sector, they said. Single-family construction will remain quite strong, at 1.1 million units, only slightly below its 1986 performance.

According to a poll of conventioneers taken at this year's show, nearly three quarters of the builders asked expected their single-family home construction to be "good" to

(Continued on page 63)

Vice President George Bush and Dave Smith, the outgoing NAHB president, at last month's convention in Dallas, where Bush was a keynote speaker. Bush joked that he supported the housing industry because "I've lived in 28 homes in 17 cities in 42 years of marriage." NHCN photo

Grossman's forms 2 divs.; renovation plan approved

By John Caulfield
NHCN staff editor

BRAINTREE, Mass. — Grossman's Inc. has been split into two divisions, and it appears the groundwork has been laid for stabilizing the company's management structure for the future.

The corporate reshuffling also comes at a time when the first phase of Grossman's three-year, $75 million remodeling and expansion campaign has been approved by company officials and its lenders, which own close to 70% of Grossman's common stock.

Robert Harrow, 58, Grossman's executive vp and gener-

(Continued on page 64)

Robert Harrow, above, will preside over the new eastern division of the newly-restructured Grossman's Inc., overseeing 241 Grossman's and Moore's units. Joseph Vaeth has been named president of the 31-unit western division. NHCN photo

Margins erode as panel makers pass along rising lauan prices

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Steady and frequent increases in lauan hardwood prices since last spring have forced decorator paneling producers to pass their increases on to retailers.

But some home center operators report that, with shelf prices too competitive in some markets, they are unable to pass the increases along to their shoppers and are therefore sustaining margin erosions in a category whose GMROI has been anything but robust.

Lauan hardwood, the principle substrate used to make plywood-backed decorator panels, has increased in price nearly 15% to 20% since the spring of 1986, according to various members of the Plywood Paneling Council (PPC), a year-old marketing group that represents seven of the major wood-backed paneling producers.

Unlike the council's competitors who use a variety of materials ranging from gypsum to hardboard to make their

(Continued on page 63)

Specialty distributor builds national network

By Gary S. Ruderman
NHCN staff editor

INDIANAPOLIS — A new, national network of specialty building materials distributors is forming here.

In the last year, Bunzl Building Materials Service (BBMS)—a U.S. division of the diversified British public company Bunzl PLC—quietly acquired four old-line lumber and building materials distributors in the Midwest that had aggregate sales of about $125 million. In 1987, Bunzl plans to acquire more.

On the face of it, Bunzl's acquisitions aren't exciting. Yet using the same acquisition strategy, another U.S. Bunzl division—Bunzl Distribution USA Inc.,—emerged in just five years as one of the nation's leading distributors of industrial papers.

"The building materials distribution business has the same attributes of the industrial paper market 10 years ago," said Terry Picha, BBMS president.

Picha and others characterize the building materials distribution industry as fragmented. Bunzl's plan to form a loose network will, according to Picha, make Bunzl a "force" in building materials distribution "in the next five years."

Bunzl's building materials acquisition strategy is clearly one of buying specialized product distributors, although specific lines have yet to be defined, according to Brian P. Ford, president of Bunzl Corp., the U.S. subsidiary's headquarters company in Florham Park, N.J.

Bunzl is a relative newcomer to the U.S. In 1980, as part of an aggressive five-year plan to acquire lines of distribution, the British firm—the 94th largest of the top 500 British firms according to the *Financial Times of London*—found its international market share of cigarette filters declining and targeted the U.S. to expand its industrial paper distribution division the following year.

From 1981 to 1985, Bunzl's paper distribution division in the U.S. grew from less than a million in sales to more than $473 million by buying up distribution companies from coast to coast. Last year, U.S.

(Continued on page 63)

Snow brings mixed sales for East Coast

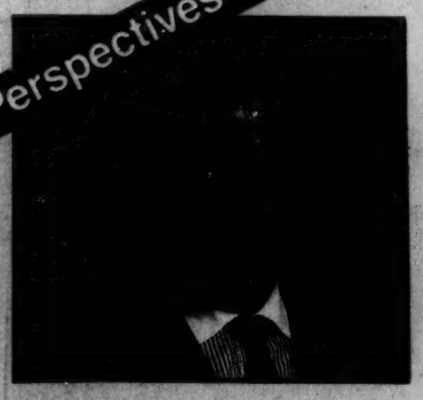
By an NHCN staff editor

NEW YORK — Masten Lumber & Supply Co.'s store in Salisbury, Md., got an unexpected call on Jan. 26, during a week that this market and the entire East Coast were hit by the heaviest snowfall in four years.

The store was asked to reserve its remaining stock

(Continued on page 64)

INSIDE



The last of the Grace home center chains after Grace 31
Peter Grace on 10 years in the home center industry 32

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Decorator wall panels cover larger share of market 46

NEWSBREAKS

HOMECLUB CO-FOUNDER RESIGNS: George Handgis, executive vp-merchandising of 28-unit HomeClub, has resigned from the Zayre-owned warehouse chain he founded with ex-ceo Robert McNulty in 1983.

COLOR TILE DROPS PAINT: The 686-unit specialty chain next month is closing out its paint department, which included sundries and 12 sku's of Color Tile manufactured paint. "Customers didn't identify us as a paint retailer," vp-advertising Ty Whorton said.

INDUSTRY UPDATE

Sen. Long accepts Lowe's post

NORTH WILKESBORO, N.C. — Russell Long, a member of the U.S. Senate since 1948, has accepted a post on the board of directors of Lowe's.

Long, who represented the state of Louisiana until his retirement last year, was the long-time chairman of the Senate Committee on Finance. He has been a strong proponent of employee stock ownership plans, of which Lowe's has one of the more comprehensive in the industry.

Recently Long signed a $1 million contract to become a senior partner with the Washington law firm Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson and Casey.

With the addition of Long, Lowe's board now numbers 10 directors.

Beaver merges Crown stores

TORONTO — Beaver Lumber's assimilation of Crown Stores Limited, acquired late last summer (*NHCN*, Sept. 22, 1986), is ahead of schedule, according to Beaver president John Lacey.

All signage has been changed to Beaver's, according to Lacey. So far six Crown stores have been closed and a seventh, in the West Edmonton Mall, is about to be shuttered in favor of a nearby Beaver location.

The acquisition was intended to strengthen Beaver's presence in western Canada. An add campaign announcing the consolidation of Crown into Beaver was titled "Now the West is One."

"We didn't want to downplay the quality of Crown," said Lacey. "We didn't want Beaver to be seen as over aggressive. The emphasis was that together we have more stores and more value."

Hechinger reincorporation final

LANDOVER, Md. — Shareholders of Hechinger Co. agreed to a management proposal to reincorporate the firm in the state of Delaware. Formerly incorporated in Washington, Hechinger had said the plan would allow it to indemnify its directors and thus acquire insurance at a lower cost (*NHCN*, Jan. 26).

The reincorporation was expected to be effective by Jan. 30, to coincide with the end of Hechinger's fiscal year.

In other company news, the 61-unit chain announced a quarterly dividend of four cents per share on its Class A common stock, and 16 cents per share on its Class B common stock, both payable on Feb. 27.

Paper co. buys Southwest

PHOENIX — Southwest Forest Products (SFP) here has signed a definitive agreement to be purchased by the Chicago-based Stone Container, a leading paper and linerboard producer.

The merger calls for Stone to pay $32.25 in cash for each of SFP's estimated 13.7 million outstanding shares of common stock. Each SFP shareholder will also receive 25 cents per share in redemption by Southwest of certain shareholder rights.

Stone has also been granted an option to buy up to 2,313,175 shares of SFP stock at $32.25 per share.

Southwest, a paper and forest products firm that recently sold its Knox Lumber chain to Payless Cashways, will be consolidated into existing Stone Container businesses. For the year ended Dec. 31, SFP's sales rose 8.5% to $631.5 million. The company suffered a net loss of $1.7 million, compared to a $9.8 million loss the previous year.

Market run-up continues

NEW YORK — Home center stocks continued their mid-winter party for the two-week period that ended Jan. 23.

Of the stocks tracked by *NHCN*, 41 increased in price over the period, two remained the same and 12 declined.

Forest City increased 16.9% to $35.50, on news the firm was selling its home centers to Handy Andy.

Hechinger B went up by nearly the same percentage, to $19.75. Wickes gained 9.7% to $4.25.

Companies that dropped over 6% included National Hardgoods, Zayre, Scotty's, National Lumber and Michigan General.

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Sequoia names former O'Malley gm to newly created gmm spot

By an NHCN staff editor

IRVINE, Calif. — O'Malley Lumber's loss may prove to be Sequoia Supply's gain.

Sequoia, the $270 million wholesale building material division of Wickes Cos., announced January 14 that it had appointed former O'Malley general manager, Richard Passaglia, to a newly created position of general merchandise manager.

The appointment came exactly one month after Passaglia, and nine other O'Malley buyers and executives were let go, following the Phoenix-based firm's decision reportedly to retrench from its recent thrust into the DIY market (*NHCN*, Jan. 12.)

In appointing Passaglia to general merchandise manager, Sequoia Supply has created not only a new title within its organization, but one that is rare in the wholesale building material field.

His chief assignment, according to Sequoia president Paul Hylbert, will be to develop more complete product and service programs for Sequoia's home center and lumberyard accounts.

Hylbert acknowledged the assignment reflects a "refinement of strategy."

With hardware and building material coops becoming more active than ever in offering structured programs to dealers, Sequoia is anxious to "put more muscle" into serving its home center and lumberyard accounts.

Passaglia, a 25-year building material veteran, is no stranger to the Wickes subsidiary. The former Chicago native has held various management positions for Wickes Lumber and Wickes Europe before joining Grace Home Centers West and subsequently, O'Malley.

The fate of other executives, including Robert Sanderson, director of marketing, and Gary Bartholomew, director of operations, could not be determined at press time.

Handyman may take up to three years to sell all remaining assets

By an NHCN staff editor

SAN DIEGO — Although Handyman Corp. ceased to exist as a public company once shareholders approved a liquidation plan in December, it could take as long as three years for it to sell all its remaining assets.

Despite the shuttering of all but four of its 53 units, Handyman continues to employ about 40 persons—mostly in real-estate-related positions—at its corporate headquarters here.

A liquidation trust was established in early January to distribute cash to shareholders from the disposition of assets, said William E. Tilburg, coo of the trust and former executive vp and treasurer.

"I am the custodian of the residue of the Handyman Corp.," Tilburg said. "My job is to take good care of the assets and liabilities until they are properly disposed of. The real estate department is working on selling off the property and right now we are busily engaged in closing the Handyman books."

At least 10 Handyman properties have been sold, but there "are a number in negotiation" Tilburg said, including previously reported locations in San Diego sought by Dixieline Lumber and additional

(Continued on page 50)

Valspar Corp. buys Enterprise for $60M

By an NHCN staff editor

MINNEAPOLIS — Valspar Corp. acquired Enterprise Paint Co., Wheeling, Ill., from its parent Insilco for $60 million. The Jan. 1 purchase gives Valspar an estimated 19% of the DIY paint market, according to Sam Guerrera, Valspar's vp-consumer brands.

The acquisition includes two Chicago-area plants and one in Florida, and the rights to the Enterprise, BPS, Magicolor and Mary Carter labels. Enterprise, which posted 1986 sales of $110 million, sells to a wide range of chains such as Lowe's and Handy Andy.

Valspar's brands include Colony (carried by Payless Cashways); Minnesota; Masury; and Elliott. About 25% of its $354,248,000 in 1986 sales came from consumers.

Four Handyman units leased to Norfox

By an NHCN staff editor

SAN DIEGO — A liquidating trust established to dispose of the remaining assets of the Handyman Corp. has leased four Handyman locations in California to a home center company headed by Norman Fox, a former Handyman vp who retired in early 1986.

Fox is chairman, and former Handyman vp Steven M. Babin is president of the newly formed Norfox, Inc., based in National City.

Two locations are in southern California in National City and on Sports Arena Boulevard in San Diego, and two units are in northern California, in Yuba City and Redwood City.

The stores are using the Handyman trade name and the merchandise mix duplicates about 75% of the stock keeping units of the original Handyman, Fox said.

Four Seasons cites cash flow problem as root of Chapter 7 liquidation filing

By an NHCN staff editor

LA PALMA, Calif. — Cash-flow problems were blamed by officials with two-unit Four Seasons Garden & Home Centers for their decision to file a Chapter 7 bankruptcy petition and close the doors of their unit here and in San Dimas, Calif.

President Phil Edwards said, "Investors reneged and that left us in a cash-short situation that we couldn't overcome."

Fledling home center

The business shuttered its doors Dec. 31. The fledgling home center business opened its first unit May 3, 1986, in La Palma, and its second store Oct. 22 in San Dimas.

A team of former executives at Homeowners Do-It-Yourself Centers bought by Wickes in 1985 managed Four Seasons. Edwards was formerly vp-merchandising at Homeowners.

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BUSINESS WATCH

*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to November of 1986, while single family housing starts will remain near 1.1 million units as interest rates decline.

Resales to boost building material sales 11% in 1987

By Richard E. Mount
Special to NHCN

Building material and supply store sales will rise at least 11% in 1987 after a 16% jump in 1986. Even after adjusting for inflation, sales will increase 6% in the coming year, more than twice as fast as GNP. The boom in existing home sales is a major factor behind this strength.

Existing home sales account for almost 85% of the *NHCN* Leading Indicator, an index that is a good predictor of future directions in the unit volume of building material sales. Changes in resales today impact building material sales six to nine months later. The strength in resales in late 1986 suggests an 8% gain in the Leading Indicator for 1987.

Richard E. Mount

Existing home sales/1986

Resales lagged the housing boom in the first half of 1986 when mortgage rates dropped about 150 basis points in the wake of oil price weakness. Consumer demand shifted towards new housing. New home sales reached a record high in March 1986 and the third highest level in April. Resales, however, declined in February and March, averaging 3.26 million units for the quarter.

Resales rose between April and July 1986. Lower mortgage rates made them more affordable, and the sharply higher prices for new

(Continued on page 58)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1985		1986				1987		1985	1986	1987
		QIV	QI	QII	QIII	QIV	QI	QII	QIII			
***NHCN* Leading Sales Indicator** (January 1980 = 100)		123.4	124.7	127.9	132.1	136.5	138.2	140.0	142.8	118.5	130.3	141.0
General Economic Outlook												
	GNP $1982 Billion	3622.3	3,655.9	3,651.4	3,686.4	3,706.2	3,717.7	3,734.1	3,759.7	3,585.2	3,677.5	3,750.7
	Real Disposable Income $1982 Bil.	2,540.7	2,581.2	2,625.8	2,605.5	2,600.0	2,615.2	2,629.6	2,646.1	2,528.0	2,603.1	2,638.5
	Housing Permits (000 SAAR)	1,741	1,834	1,822	1,678	1,585	1,550	1,610	1,650	1,739	1,767	1,621
	Housing Starts (000 SAAR)	1,773	1,988	1,908	1,747	1,640	1,650	1,680	1,680	1,742	1,821	1678
	New Home Sales (000 SAAR)	696	800	796	683	675	715	725	750	686	739	740
	Resales (000 SAAR)	3,500	3,257	3,470	3,617	3,650	3,500	3,500	3,525	3,216	3,499	3,513
	Prime Rate %	9.5	9.4	8.6	7.9	7.4	7.0	6.7	6.5	9.9	8.3	6.7
	Mortgage Rate % (HUD)	11.8	10.8	10.1	10.2	9.9	9.6	9.4	9.4	12.5	10.3	9.5
	Consumer Price Index (1967 = 100)	326.5	327.7	326.3	328.4	330.7	333.8	336.9	340.2	322.1	328.3	338.6
	Producer Price Index (1967 = 100)	296.4	292.0	288.0	288.3	290.9	294.1	297.1	300.0	293.9	289.8	298.5
	New Housing Affordability 1980-100)	120.5	128.6	127.1	128.9	132.2	133.4	135.4	134.6	117.6	129.2	134.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	89,200	91,600	84,253	87,134	89,892	92,351	94,849	97,563	80,267	88,220	96,295
	Maintenance and Repair	39,000	36,700	36,493	37,537	38,599	39,331	40,075	40,917	35,358	37,332	40,524
	Additions and Alterations	30,500	34,300	30,775	31,762	32,766	33,787	34,825	35,880	28,775	32,401	33,383
	Major Replacements	19,600	20,600	16,985	17,834	18,527	19,232	19,950	20,768	16,134	18,487	20,388
Constant	**Total Millions $1977 SAAR**	55,213	55,013	50,100	51,300	52,400	53,300	54,200	55,200	47,824	52,203	54.738
	Maintenance and Repair	24,167	22,041	21,700	22,100	22,500	22,700	22,900	23,150	21,066	22,085	23,038
	Additions and Alterations	18,900	20,600	18,300	18,700	19,100	19,500	19,900	20,300	17,150	19,175	20,113
	Major Replacements	12,146	12,372	10,100	10,500	10,800	11,100	11,400	11,750	9,608	10,943	11,588
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,388,316	1,404,932	1,421,400	1,478,632	1,464,476	1,476,907	1,501,555	1,524,331	1,373,941	1,442,360	1,511,711
	Total Minus Automobile	1,082,244	1,095,360	1,098,912	1,112,548	1,126,508	1,135,906	1,155,924	1,177,322	1,061,148	1,108,332	1,165,114
	Building Material, Hardware, Garden Supply, Mobile Home	78,024	83,904	85,316	86,540	88,560	88,558	91,222	94,163	74,062	86,080	92,737
	Building Material and Supply	56,976	61,180	62,580	62,956	63,444	65,641	67,753	70,172	53,841	62,540	69,259
	Hardware	11,572	11,416	11,268	11,832	11,964	12,290	12,522	12,691	11,092	11,620	12,592
Constant	**Total Millions $1982 SAAR**	1,288,244	1,306,567	1,337,991	1,380,017	1,361,037	1,359,000	1,368,000	1,375,000	1,282,772	1,346,403	1,370,250
	Total Minus Automobile	1,009,867	1,027,361	1,048,913	1,054,219	1,061,742	1,060,000	1,068,000	1,077,000	997,299	1,048,059	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	73,605	78,763	82,347	82,367	82,535	81,716	83,341	85,176	70,215	81,503	84,277
	Building Material and Supply	53,749	57,422	60,401	59,924	59,128	60,570	61,900	63,475	59,219	59,219	62,936
	Hardware	10,918	10,717	10,876	11,262	11,150	11,340	11,440	11,480	10,507	11,001	11,445
	Building Materials % of Total Less Automobile ($Current)	5.26	5.59	5.69	5.66	5.63	5.78	5.86	5.96	5.07	5.64	5.94

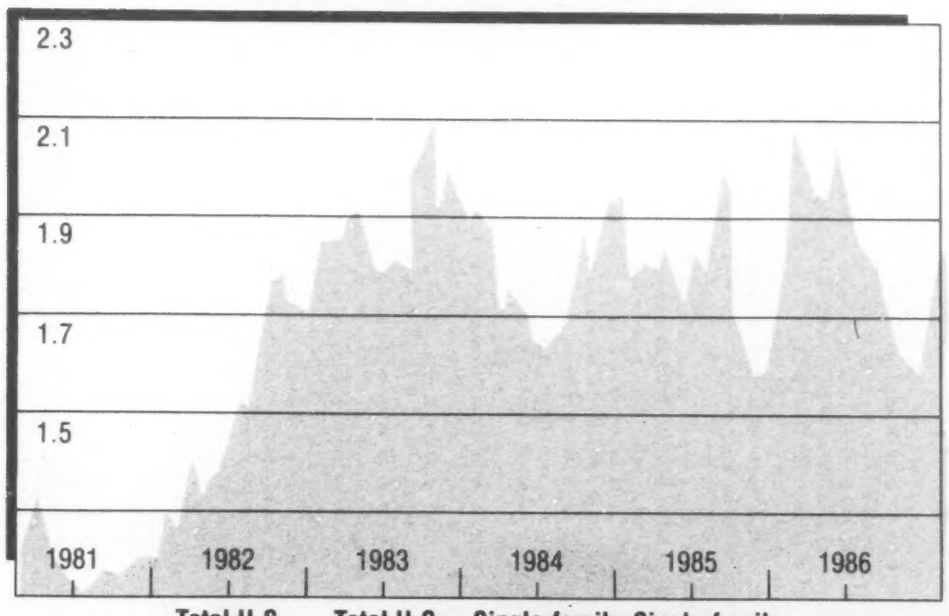
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
February 9, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

National housing starts and permits
(seasonally-adjusted annual rates, in millions)

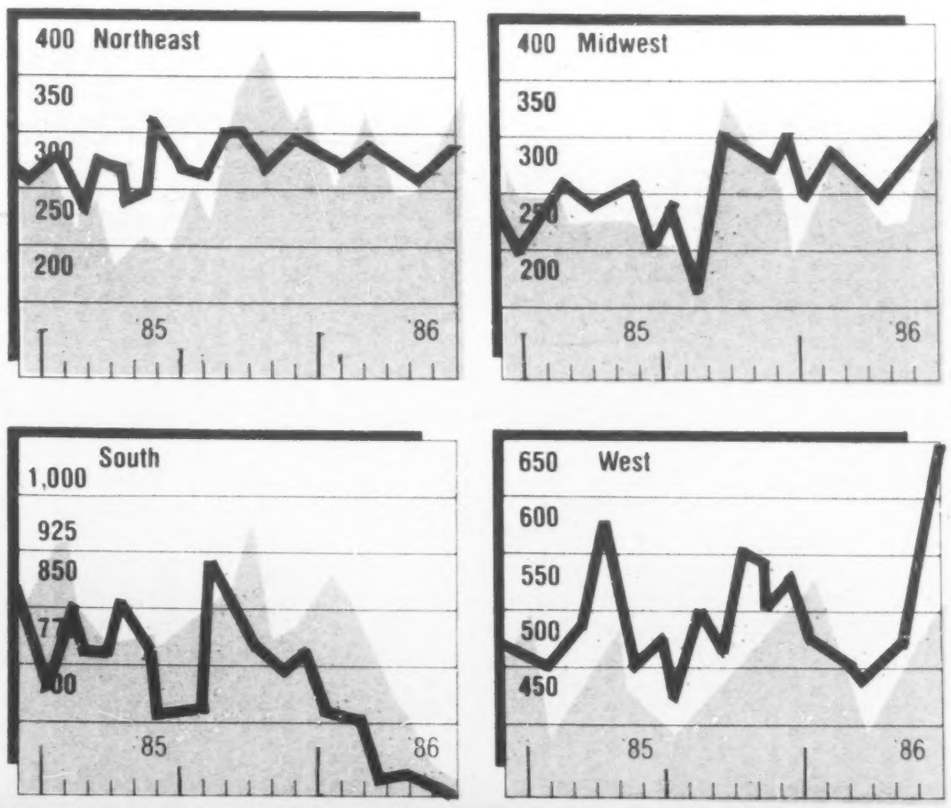


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
Dec. '86	1,802	1,893	1,209	1,144
Nov. '86	1,585	1,613	1,087	991
Dec. '85	1,882	1,839	1,098	963

Key: Permits, Starts

Source: U.S. Commerce Department

Regional housing starts and permits
(in thousands)



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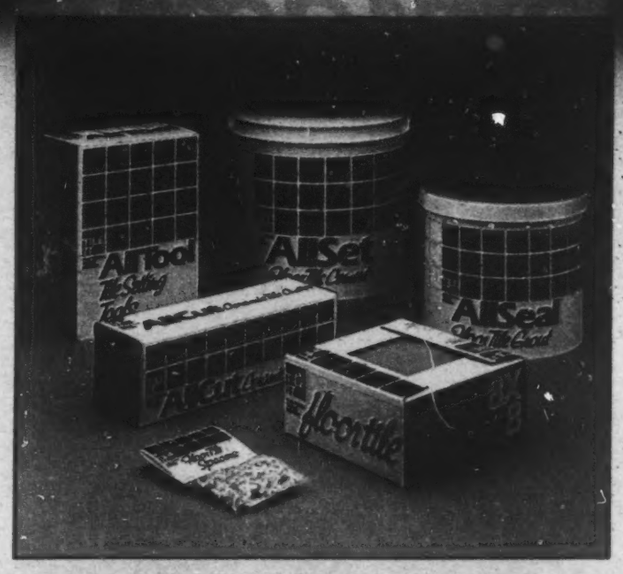

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Housing starts top 1.8 million in 1986

By an NHCN staff editor

NATIONAL REPORT — Housing starts totaled 1,806,600 units in 1986, a 4% increase over 1985, according to preliminary calculations released by the U.S. Commerce Department.

Single-family home construction fell slightly short of the 1.2 million starts the National Association of Home Builders and other housing experts expected for 1986, but still surged 10% over 1985, to 1,179,400 starts.

New home development rose in three of the four regions last year. Activity declined only in the South, where several of the region's states are grappling with depressed prices for oil and agricultural products.

Starts in the 13-state Southern region fell 6% to 733,300 units in 1986, the Commerce Department said.

Despite the consistently large increases posted in the Northeast last year, the region did not post the biggest annual gain. That honor went to the Midwest, which charted a 23% jump in starts from 1985, to 294,700 units.

Regional Housing
(in thousands)

	Dec. '86 starts	% chg.	Dec. '86 permits	% chg.
Northeast	320	+18	292	+12
West	503	+ 5	709	+54
South	613	+ 4	570	−58
Midwest	366	+50	322	+12

Source: U.S. Commerce Department

The starts increase in the Northeast was 17% above last year, at 294,700 units.

The West had the smallest annual starts increase in 1986: 3%, to 484,200 units.

In addition to the preliminary year-end starts figures, the Commerce Department said December's housing starts were up 14% to an annualized 1.8 million units. Single-family starts rose 11%, to an adjusted 1.2 million units.

Housing permits, a barometer of future activity, surged 17% in December to an annualized 1.6 million units. Single-family starts rose 15%, to 1.1 million units in December.

The South was the only region to post a decline in December. Permits there fell 6% to 570,000 units, seasonally adjusted, off 33% from December 1985. Starts, however, rose 4% to an annualized 613,000 units, a 30% decline from last December.

December's totals were advanced by a 50% increase in housing starts in the Midwest, to 366,000 units, a 40% increase over December 1985. Permits here rose 12% from November and 19% from last December.

Starts rose 18% in the Northeast in December and were 13% above a year ago. Permits here rose 12% in from November, an 11% rise from December 1985.

Housing starts rose 5% in the West, an 8% increase from last December.

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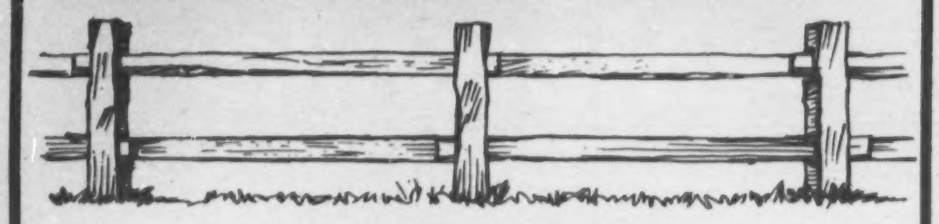

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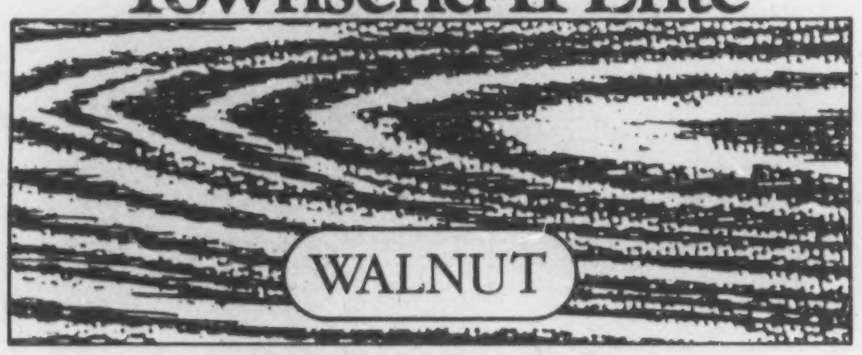

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LUMBER REPORT

Group behind U.S. lumber tariff seeks to maintain its influence

By Milford Prewitt
NHCN staff editor

WASHINGTON — The folks who fought for a tariff on lumber and then pressured a nation to tax its most prized export don't expect to exit the stage now that their long-sought victory is won.

The Coalition for Fair Lumber Imports (CFLI)—the group that provided the push behind Canada's erecting an export tax on American bound lumber—is writing a permanent and leading role for itself as part government consultant and part watchdog of lumber trade issues.

Its aims may be diametrically opposed to those of most lumber and building material dealers, but the coalition proved that a small but dedicated group can acquire clout in Washington and can exert influence far beyond its meager origins.

"We are a single issue organization in that we deal with lumber imports only, but we expect to stay in business to consult with government as changes and proposals [arise] in this situation," said Stanley Dennison, the chairman of the CFLI and a semiretired executive vp of Georgia-Pacific.

Amid the widespread dealer concerns about higher procurement costs for lumber, Dennison counters that the export tax will have little effect on supply or demand.

"The only thing I can see happening out of all of this is that now we might have a little higher floor as to where prices will be when they fall to their lowest point," Dennison said. "When we reached the floor in previous years, the American producer had to shut down because the Canadian producer was subsidized and could go a lot lower."

Subject to controversy

Victory and respect have not come easy for the CFLI. The group is pounded by a battery of criticism.

The coalition has been accused of being a mouthpiece and front organization for Georgia-Pacific and other major producers with no Canadian operations, a charge Dennison vigorously denies.

"We're representative of manufacturers throughout the country," Dennison said. "We have the support of all the major [industry] associations. You should remember that the 10 largest producers in the U.S. only produce 20% of the lumber."

Dennison added that lumber and building material retail dealers' fears about the goals of the coalition are not as widespread as they are depicted by CFLI's adversary, the National Lumber and Building Material Dealers Association.

"I think I talked to a thousand dealers in the course of this process and once they understood what the issues were maybe 10% objected," Dennison said. "The only objections I ever knew about came from that association.

Harry Horrocks, an executive with the NLBMDA, countered that Dennison's observation was inaccurate. He said a poll of the organization's 15,000 members showed that 97% were against the coalition's drive for a tariff.

Rocky beginning

Dennison is defensive about complaints levied by the National Association of Home Builders (NAHB) and other building groups that the coalition's success threatens the pace of new home construction and pricing.

"We are as concerned with housing starts as much as anyone else because it hits us first," he said.

Dennison said the export tax will probably add $300 to the cost of new home construction, with 50% of that increase being absorbed by the manufacturers. He said such an increase will do little to push home buyers out of the market.

"Interest rates and terms determine who can qualify for housing," Dennison said. "I often compare it to the person who buys a house, let's say for $150 more, but one brass faucet that momma likes in the kitchen or the bathroom costs just as much.

"Will that mean that family won't buy the house?"

The coalition has traveled a bumpy path from its ragtag beginnings in 1981, to its premature obituary in 1983, to its rebirth and maturity into the role of lobbyist.

But three years ago, after the International Trade Commission decided to quash the coalition's first countervailing duty petition with the ruling that Canada does not subsidize its forest industry, it seemed a sure bet that CFLI wouldn't be heard from again.

At that time, the two-year-old group, born out of the Pacific Northwest, had spotty support, unstable financing, bad press and had dared to lock horns with NAHB, perhaps the most powerful lobbying group in Washington.

"We had so few people back then," said Paul Ehinger, a cofounder of the coaltion and ardent proponent of taxing Canadian imports.

Canada's subsidies at issue

Ehinger, who was the coalition's main spokesman from 1981 to 1983, and currently operates his own timber consulting firm out of Eugene, Ore., indicated that when the group first filed its countervailing duty petition, few of the major forest products corporations supported the effort.

What was worse, charges Ehinger, is that branches of the Department of Commerce colluded with the Canadians to subvert the Americans' effort.

Despite the ITC's ruling in 1983, Ehinger said the core members of the coalition were undeterred in their belief that Canada was subsidizing its industry in order to enjoy sizable market advantages.

One of the examples both Ehinger and Dennison point to in underscoring their complaint that Canada subsidizes its industry is the stumpage price difference on the border.

"You know, you can cross the Canadian line up there [the Pacific Northwest] and never know it," Dennison said. "But if you do an appraisal, the Canadian side comes up being 10% to 20% of the value of the US side.

"Yet, it's the same forest."

Critics of the CFLI, though, scoffed at these claims, and insisted that American stumpage prices were higher due to the byzantine methods of blind bidding and speculation that determine who wins the contract to cut timber.

Moreover, both the CFLI's adversaries and allies argue that the exchange rate between Canada and America favors the Canadians with less expensive wood products.

Status boosted by four shifts

But despite the economic factors, real or imagined, Ehinger said four developments occurred after the ITC's 1983 decision to revitalize the group.

The first was the shift in the Reagan Administration's view on import restrictions.

"The whole mood of the country had changed and people began getting more politicized and militant about the plight of heavy American industry being threatened by imports," Ehinger said.

The second event came from a series of "educational" talks coalition leaders conducted with "grass roots lumbermen." These discussions about the the state of North American lumber trading resulted in leading corporations (notably Georgia-Pacific, International Paper and Potlatch Corp.) and independents nationwide financing a major drive to refile a countervailing duty petition.

The third major development helping to elevate the group's position was its merger with the National Forest Products Association (NFPA), the major North American producers trade group which counts Canadian firms among its membership. The NFPA, which had ignored the group before 1983, came to rally behind calls for import restrictions on softwood lumber and gave the fledgling coalition office space in its Washington headquarters, an operating budget, and staff support.

But the apparent *coup de grace* for the coalition came from an unlikely source, the International Trade Agency (ITA). As a result of a 1984 decision in an unrelated federal court trial, the ITA was forced to change its definition of subsidization to a more specific and narrower interpretation. This paved the way for a new countervailing duty filing.

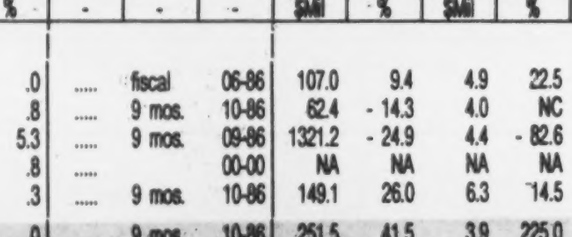
FINANCIAL NEWS

The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Hechinger B M	4,281	477.8	16.2
Forest City Ent A	551	392.9	16.9
Pope & Talbot N	8,240	373.1	14.6
Std Brd Pnt N	7,574	315.5	- 1.1
Potlatch Cp N	5,139	307.4	8.7
Weyerhaeuser N	93,429	305.1	12.0
Thos Inds N	2,370	291.8	4.9
Insilco Corp N	12,668	288.5	5.4
Genova M	261	277.8	- 2.5
Waxman Ind M	3,593	275.7	18.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 1-23-87	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Waxman Ind M	11.00	18.9	3,593
Forest City Ent A	35.50	16.9	551
Hechinger B M	19.75	16.2	4,281
Hechinger A M	19.25	14.9	6,196
Pope & Talbot N	34.25	14.6	8,240
Boise Cascade N	76.00	13.0	21,993
Owens Ill Fibr N	18.63	12.9	77,562
Allegheny Int N	13.25	12.8	7,700
Macmillan Bloedel M	38.00	12.6	1,353
Stanley Works N	31.75	12.4	7,615
Losers	$	%	(100)
Mich General A	1.38	- 15.4	2,567
Natl Lumber M	4.25	- 6.8	533
Scotty's Inc N	12.63	- 6.5	1,706
Natl Hardgoods M	7.75	- 6.1	150
Zayre Corp N	25.00	- 6.1	31,342
Ply-Gem A	13.88	- 4.3	5,401
Genova M	4.88	- 2.5	261
Pay N Pak N	11.75	- 2.1	3,515
K mart Cp N	47.63	- 1.6	67,578
Std Brd Pnt N	21.50	- 1.1	7,574

National Home Center News

HOME CENTER MARKET SUMMARY

Stock Market

Company and Market	2-Weeks Ended 1-23-87	Price 2-Weeks Change Amt.	Price 2-Weeks Change Pct.	Price 2-Week Range High	Price 2-Week Range Low	Price 52-Week Range High	Price 52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%
Retailers														
Color Tile M	30.38	.38	1.3	30.38	30.00	33.00	19.50	28	.03	.10	- 70.0	19.2	.00	.0
Forest City Ent A	35.50	5.13	16.9	35.50	30.13	35.50	22.00	551	.69	.14	392.9	22.2	.30	.8
Grace W R N	53.13	- .13	- .2	55.38	52.50	60.75	45.25	24,726	5.95	3.05	95.1	18.1	2.80	5.3
Hechinger A M	19.25	2.50	14.9	19.75	16.25	23.59	15.59	6,196	5.67	1.83	209.8	NA	.16	.8
Hechinger B M	19.75	2.75	16.2	20.00	16.25	23.59	16.00	4,281	2.60	.45	477.8	23.0	.06	.3
Home Depot N	20.25	.75	3.8	20.75	18.00	21.75	10.75	15,749	6.25	1.88	232.4	27.4	.00	.0
INTERCO Inc N	39.13	.25	.6	40.25	38.13	47.63	34.50	19,344	6.79	1.81	275.1	12.6	1.60	4.1
K mart Cp N	47.63	- .75	- 1.6	49.38	46.50	57.38	35.13	67,578	5.23	2.25	132.4	20.4	1.48	3.1
Lowe's Cos N	28.75	1.00	3.6	29.63	27.63	41.50	22.50	22,755	5.74	2.00	187.0	19.6	.40	1.4
Mich General A	1.38	- .25	- 15.4	1.75	1.38	5.25	1.00	2,567	1.44	.90	60.0	NE	.00	.0
Natl Hardgoods M	7.75	- .50	- 6.1	8.25	7.75	9.31	5.69	150	1.22	.48	154.2	18.5	.00a	.0
Natl Lumber M	4.25	- .31	- 6.8	4.75	4.25	7.00	4.00	533	.95	.47	102.1	NE	.00	.0
Pay N Pak N	11.75	- .25	- 2.1	12.25	11.38	19.38	9.50	3,515	3.51	1.38	154.3	17.8	.40	3.4
Payless Cash N	20.38	.38	1.9	22.38	19.50	27.50	15.88	12,536	3.62	1.58	129.1	16.7	.16	.8
Scotty's Inc N	12.63	- .88	- 6.5	13.50	12.50	18.13	12.00	1,706	1.18	.89	32.6	15.6	.52	4.1
Sears, Roebuck N	44.63	1.00	2.3	47.13	43.13	50.38	37.63	105,021	2.81	1.10	155.5	12.2	1.76	3.9
Svc Merchandise M	7.88	.38	5.0	8.75	7.38	15.00	7.38	50,188	15.06	4.46	237.7	NE	.08	1.0
Std Brd Pnt N	21.50	- .25	- 1.1	22.25	21.00	27.00	19.38	7,574	6.69	1.61	315.5	17.5	.58	2.7
Supermkts Gen N	28.75	1.50	5.5	29.25	26.75	32.25	22.50	16,098	4.18	1.68	148.8	16.9	.28	1.0
Wickes Cos A	4.25	.38	9.7	4.38	3.25	7.00	3.25	82,500	3.48	2.01	73.1	11.5	.00	.0
Wolohan Lumber M	10.00	1.00	11.1	10.25	9.00	10.75	5.75	1,596	2.72	1.46	86.3	12.0	.20	2.0
Zayre Corp N	25.00	- 1.63	- 6.1	26.63	23.63	43.88	20.75	31,342	5.31	2.89	83.7	17.5	.32	1.3
Wholesalers														
Lewis Palmer M	8.00	.00	.0	8.25	8.00	9.88	7.25	1,385	3.53	1.58	123.4	25.0	.28	3.5
Stanline Inc M	9.25	.25	2.8	10.00	9.00	12.13	7.84	250	1.47	.62	137.1	10.1	.32b	3.5
Manufacturers														
Allegheny Int N	13.25	1.50	12.8	16.50	11.50	25.25	11.38	7,700	7.15	2.16	231.0	NE	.00	.0
Am Standard N	46.00	1.25	2.8	48.00	44.00	48.00	36.00	9,217	2.45	1.23	99.2	9.1	1.60	3.5
Am Woodmark M	14.75	.88	6.3	14.75	13.38	14.75	10.00	868	1.26	.69	82.6	13.5	.00	.0
Armstrng Wrld N	32.63	.25	.8	36.25	31.13	36.25	20.56	21,501	4.46	1.40	218.6	13.7	.84	2.6
Black & Decker N	18.75	1.50	8.7	19.25	17.25	25.25	14.50	43,871	7.56	2.13	254.9	38.3	.40	2.1
Boise Cascade N	76.00	8.75	13.0	80.00	66.88	80.00	46.38	21,993	7.51	2.06	264.6	26.3	1.90	2.5
Certain-teed N	34.75	2.38	7.3	36.25	32.63	38.50	22.63	3,021	1.59	.62	156.5	11.6	.90	2.6
Champ Intl N	36.88	1.38	3.9	39.50	34.75	39.50	22.50	77,166	8.20	3.14	161.1	17.7	.52	1.4
DeSoto Inc N	42.38	2.88	7.3	43.63	39.50	43.63	34.25	479	1.00	.61	63.9	31.9	1.40	3.3
Emhart Corp N	37.00	.75	2.1	37.63	35.25	42.63	30.25	8,024	2.59	1.18	119.5	NE	1.40	3.8
Genova M	4.88	- .13	- 2.5	5.13	4.88	5.63	4.38	261	.68	.18	277.8	11.3	.10	2.1
Georgia-Pacific N	45.75	3.38	8.0	48.00	41.75	48.00	25.88	62,739	6.05	1.99	204.0	23.8	1.00	2.2
Insilco Corp N	21.88	1.13	5.4	22.25	20.00	23.56	16.66	12,668	6.10	1.57	288.5	13.8	1.00b	4.6
La Pacific N	34.63	- .25	- .7	36.75	33.88	36.75	21.84	17,766	4.80	1.97	143.7	22.8	.80b	2.3
Macmillan Bloedel M	38.00	4.25	12.6	38.38	33.50	38.00	17.50	1,353	.44	.13	238.5	NA	.75	NA
Manville Cp N	2.00	.13	6.7	2.00	1.88	8.88	1.63	7,080	2.95	2.48	19.0	.8	.00	.0
Masco Corp N	32.50	2.00	6.6	33.38	28.63	34.50	20.88	31,120	2.41	1.01	138.6	17.5	.36	1.1
Mor-Flo Inds M	14.00	.00	.0	14.00	13.75	19.25	12.00	193	.76	.24	216.7	15.6	.01	.1
Newell Co N	29.75	1.75	6.3	31.00	28.00	36.75	22.88	1,488	1.30	1.11	17.1	13.8	.84	2.8
Owens Ill Fibr N	18.63	2.13	12.9	20.50	15.88	20.50	8.88	77,562	20.70	NC	NC	NA	.00	.0
Ply-Gem A	13.88	- .63	- 4.3	15.00	13.75	15.50	10.00	5,401	6.73	2.39	181.6	15.9	.12	.9
Pope & Talbot N	34.25	4.38	14.6	36.50	28.25	36.50	17.25	8,240	13.72	2.90	373.1	25.8	.88	2.6
Potlatch Cp N	65.75	5.50	8.7	71.00	62.25	71.00	38.13	5,139	3.87	.95	307.4	18.1	1.68	2.4
Sherwin-Wms N	32.38	1.88	6.1	35.13	30.50	35.13	22.25	15,702	3.48	1.52	114.8	18.7	.50	1.5
SW Forest Ind N	23.00	2.13	10.2	24.13	20.50	24.13	11.88	16,585	13.51	4.47	202.2	NE	.00	.0
Stanley Works N	31.75	3.50	12.4	33.50	28.00	33.50	22.00	7,615	1.83	.85	115.3	16.4	.76	2.4
Thos Inds N	18.75	.88	4.9	19.25	17.63	24.31	15.50	2,370	2.39	.61	291.8	13.5	.62b	3.3
USG Corp N	41.75	2.00	5.0	42.75	39.63	46.50	24.50	22,018	3.46	2.43	42.4	12.2	1.12	2.7
Walter, Jim N	51.38	.13	.2	54.00	50.75	54.63	32.59	10,476	3.30	1.54	114.3	11.0	1.40	2.7
Waxman Ind M	11.00	1.75	18.9	11.13	9.13	11.00	6.03	3,593	11.42	3.04	275.7	11.5	.08	.7
Weyerhaeuser N	46.75	5.00	12.0	49.00	41.50	49.00	29.88	93,429	7.17	1.77	305.1	28.5	1.30	2.8

Financial Update

Company and Market	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
				$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers															
Color Tile M	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent A	.....	9 mos.	10-86	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R N	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Hechinger A M	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	.....	9 mos.	10-86	149.1	26.0	6.3	14.5	.21	16.7	448.1	23.7	19.6	18.8	.64	14.3
Home Depot N	.....	9 mos.	10-86	251.5	41.5	3.9	225.0	.15	275.0	737.6	48.4	16.2	189.3	.63	186.4
INTERCO Inc N	NEW	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Cp N	.....	9 mos.	10-86	5686.3	8.9	87.3	12.8	.66	10.0	16877.7	7.7	297.3	41.1	2.24	36.6
Lowe's Cos N	.....	9 mos.	10-86	594.3	8.2	12.5	- 19.9	.31	- 26.2	1786.1	11.8	45.1	- 6.8	1.16	- 12.8
Mich General A	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods M	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber M	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak N	.....	9 mos.	11-86	101.4	17.9	1.9	5.6	.19	5.6	315.2	21.6	5.3	- 23.2	.53	- 23.2
Payless Cash N	NEW	fiscal	11-86	405.6	7.2	11.0	- .9	.31	- 3.1	1527.7	10.0	42.4	11.3	1.22	8.9
Scotty's Inc N	NEW	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck N	.....	9 mos.	09-86	11171.3	11.2	328.1	25.1	.88	23.9	31311.8	9.3	808.3	7.6	2.17	6.9
Svc Merchandise M	.....	9 mos.	09-86	329.5	- 37.6	(30.3)	NE	(.92)	NE	1413.2	- .5	(68.8)	NE	(2.07)	NE
Std Brd Pnt N	.....	9 mos.	10-86	85.9	- 4.6	4.2	5.0	.38	8.6	252.9	- 5.1	12.3	- 13.4	1.09	- 13.5
Supermkts Gen N	.....	9 mos.	10-86	1374.7	8.8	9.6	- 60.3	.24	- 29.4	4073.4	8.2	41.8	- .7	1.10	- 6.8
Wickes Cos A	.....	9 mos.	10-86	1254.8	- 14.5	33.0	114.3	.15	200.0	3361.7	11.6	69.5	252.8	.30	650.0
Wolohan Lumber M	.....	9 mos.	09-86	58.7	25.4	1.9	58.3	.33	65.0	141.9	25.2	3.6	63.6	.61	60.5
Zayre Corp N	.....	9 mos.	10-86	1316.4	30.5	22.9	- 15.2	.38	- 17.4	3573.6	32.6	48.6	- 16.5	.81	- 19.0
Wholesalers															
Lewis Palmer M	.....	9 mos.	10-86	60.0	50.4	.7	16.7	.17	6.3	140.4	27.2	1.2	50.0	.31	40.9
Stanline Inc M	NEW	fiscal	10-86	15.9	14.4	.4	.0	.31	40.9	59.7	7.8	1.5	15.4	.92	3.4
Manufacturers															
Allegheny Int N	.....	9 mos.	09-86	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Standard N	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark M	.....	6 mos.	10-86	31.9	31.3	2.3	109.1	.33	50.0	60.3	24.1	4.1	86.4	.63	43.2
Armstrng Wrld N	.....	9 mos.	09-86	506.0	13.3	35.6	26.7	.73	25.9	1423.9	13.6	92.3	17.9	1.91	17.2
Black & Decker N	.....	fiscal	09-86	437.9	- 3.6	2.2	- 78.4	.03	- 85.0	1791.2	3.4	27.5	- 41.4	.49	- 46.7
Boise Cascade N	.....	9 mos.	09-86	959.5	2.7	13.3	- 34.5	.38	- 41.5	2821.2	- .8	69.6	- 18.4	2.28	- 19.7
Certain-teed N	.....	9 mos.	09-86	304.5	.1	19.9	8.7	1.04	11.8	845.6	- .3	46.6	8.4	2.45	12.4
Champ Intl N	NEW	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc N	.....	9 mos.	09-86	107.7	- 1.4	(3.8)	- 100.0	(.80)	- 100.0	336.0	1.8	3.5	- 69.0	.73	- 69.2
Emhart Corp N	.....	9 mos.	09-86	472.6	12.2	(71.2)	- 100.0	(2.30)	- 100.0	1510.1	17.0	(33.4)	- 100.0	(.98)	- 100.0
Genova M	.....	fiscal	09-86	15.9	15.2	.7	.0	.19	- 5.0	51.8	4.2	1.6	6.7	.43	7.5
Georgia-Pacific N	.....	9 mos.	09-86	1909.0	9.0	97.0	67.2	.90	73.1	5442.0	6.2	213.0	22.4	1.94	24.4
Insilco Corp N	NEW	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
La Pacific N	.....	9 mos.	09-86	407.4	22.6	22.2	96.5	.60	93.5	1124.0	18.5	48.1	157.2	1.31	156.9
Macmillan Bloedel M	.....	9 mos.	09-86	657.6	10.1	31.7	162.0	.74	311.1	1969.5	13.6	110.0	388.9	2.73	2630.0
Manville Cp N	.....	9 mos.	09-86	511.1	8.4	26.7	NE	.85	NE	1457.2	3.7	63.9	NE	1.88	NE
Masco Corp N	.....	9 mos.	09-86	367.0	NC	51.3	NE	.40	NE	1002.0	123.1	148.0	537.9	1.15	101.8
Mor-Flo Inds M	.....	9 mos.	09-86	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co N	.....	9 mos.	09-86	106.3	15.3	7.4	37.0	.64	6.7	295.9	16.8	16.6	23.9	1.54	4.1
Owens Ill Fibr N	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	.....	9 mos.	09-86	59.2	49.9	1.6	45.5	.16	.0	188.9	37.3	6.0	93.5	.72	41.2
Pope & Talbot N	.....	9 mos.	09-86	78.1	- 4.8	4.3	115.0	.72	111.8	228.3	- 8.8	7.4	21.3	1.23	21.8
Potlatch Cp N	.....	9 mos.	09-86	249.9	4.3	16.7	47.8	1.18	81.5	733.1	1.4	49.8	49.5	3.53	82.9
Sherwin-Wms N	.....	9 mos.	09-86	604.1	4.4	32.3	11.0	.70	11.1	1705.1	1.6	69.7	10.1	1.50	8.7
SW Forest Ind N	.....	9 mos.	09-86	180.6	- 11.6	4.1	NE	.30	NE	461.6	- 13.1	(7.9)	NE	(.89)	NE
Stanley Works N	.....	9 mos.	09-86	388.3	30.7	20.1	3.6	.48	2.1	1115.1	25.9	55.3	5.1	1.32	3.1
Thos Inds N	.....	9 mos.	09-86	72.7	- 8.1	2.1	- 57.1	.22	- 56.9	220.6	- 4.9	9.6	- 20.0	.97	- 21.1
USG Corp N	.....	9 mos.	09-86	653.9	- .5	41.1	- 37.4	.65	- 33.7	2028.6	7.3	169.0	- .5	2.61	2.8
Walter, Jim N	.....	3 mos.	11-86	595.9	6.0	37.9	19.6	1.17	.9	595.9	6.0	37.9	19.6	1.17	.9
Waxman Ind M	.....	3 mos.	09-86	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weyerhaeuser N	.....	9 mos.	09-86	1397.3	8.2	62.2	61.1	.44	83.3	4201.4	5.9	180.6	32.3	1.21	36.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National
Home Center News ®

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API Supply buys Minn. steel products dist.

By Gary S. Ruderman
NHCN staff editor

MINNEAPOLIS — API Supply Co., a privately held, $35 million wholesaler of lumber and building materials, last month acquired Dealers Supply Co., a Minneapolis steel products distributor with estimated 1986 sales of $32 million.

API, which will run the new company under the API/Dealers name, picked up distribution centers in LaCrosse, Wisc., Aberdeen, S.D., and an estimated 350 yards in Wisconsin; Minnesota; and North and South Dakota. Prior to the acquisition, API had distribution centers in the Twin Cities and Rapid City, S.D. It closed a Sioux Falls, S.D., distribution center last year. The deal, for an unannounced sum, closed Jan. 6.

Charles Krausert, API vp of marketing said the combination would strengthen API's position in the four-state area, giving member API yards access to 11,500 more stockkeeping units in metal and steel products; API currently offers 12,500 skus in building materials and timber products.

"Expect that we'll be shifting our sights to Nebraska, Illinois and Missouri in the long term," Krausert said.

API serves roughly 1,600 customers, mostly small, rural lumberyards.

(Continued on page 87)

Coast-to-Coast strikes deal for gas station units

By Laura Liebeck
NHCN staff editor

DENVER — Many Coast-to-Coast franchisees may eventually add a new product category to their merchandise mix: gasoline.

Coast-to-Coast, in a joint venture with Amoco Oil Co., may convert the convenience stores at many of Amoco's gas stations into 800-sq.-ft. hardware and auto parts outlets, if an 18-month test of the program is successful.

The stores will be called Hardware X-press and Auto X-press, the companies reported.

If the test works, "it is conceivable" Coast-to-

(Continued on page 87)

An artist's rendering of Coast-to-Coast's joint venture with Amoco Oil. Each Hardware-X-Press unit will be approximately 800 sq. ft. and occupy former convenience stores

Negotiations to buy Canadian hardware retailer collapse

By an NHCN staff editor

TORONTO — Expansion plans of Coast-to-Coast, the Denver-based hardware retailer, hit a snag earlier this month when negotiations to purchase Macleods, a 200-unit Canadian hardware retailer based in Winnipeg, collapsed after two months.

William Chalmers, president of Macleods, revealed the failure of the deal while attending the Canadian Hardware Show in Toronto earlier this month.

Executives of Coast-to-Coast, which franchises more than 1,000 stores in 35 states, could not be reached for commment.

Chalmers said that meetings with officials of Coast-to-Coast started last December and ended in early February.

During the meeting with vendors at which Chalmers announced the end of negotiations with Coast-to-Coast, he gave a status report on Macleods that included its remerchandising program and its progress towards franchising its stores.

(Continued on page 87)

84 Lumber selling 14 closed stores

By Milford Prewitt
NHCN staff editor

EIGHTY FOUR, Pa. — The 84 Lumber Co. here is looking to sell 14 closed stores in several disparate markets ranging from Washington state to Texas, company officials announced.

Denny Brua, vp of real estate for the chain, said all of the stores up for sale are typical of the ones 84 Lumber continues to operate: 20,000 sq. ft. of indoor selling space, with outdoor storage sheds for building products, resting on about three acres of land. None of the units for sale has fixtures.

Brua said the company, which owns the land and the buildings, expects proceeds of about $300,000 for each location. "Some are a little less, some are a little more," he said.

The stores were shuttered six to eight months ago, Brua explained, because they failed to perform well, in some cases because of poor local economies. Among the 14 units, half are in states whose economies have been pounded by the recession in the oil industry. These include: four locations in Texas; two stores in Louisiana and one unit in the oil town of Casper, Wyo.

The other sites for saleinclude three in Washington and one each in Nevada, Kansas, Colorado and Oregon.

(Continued on page 87)

Cawley named pres. of Lloyd Home & Building Centers

By an NHCN staff editor

DANBURY, Conn. — Tom Cawley, vp-merchandise and marketing, for Lloyd Home & Building Centers, based here, was named president of the company on Feb. 2.

Cawley, 43, formerly with Channel, has been with the 34-unit retailer for one year. He replaced American Maize president Jack McCormick, who was standing in as the company's temporary chief following last year's resignation of Richard Anglin. American Maize is the parent company of Lloyd.

The new Lloyd president said the company's immediate priorities include accelerating its merchandise and presentation upgrade program and the addition of new stores in its existing market areas.

Lloyd operates stores in New York State, Connecticut and Pennsylvania, and has both short-term and long-ranged plans to add stores in this region, especially in middle- to upper-income neighborhoods.

Currently, Lloyd does 70% of its business with consumers. The rest, 30%, is achieved through professional sales, a balance Cawley said he wants to maintain.

During the fourth quarter of this year, Lloyd will open three new stores, one in New York State and two in Connecticut.

And during the first half of this year, Cawley said Lloyd will complete the remodeling

(Continued on page 87)

Tom Cawley replaces Jack McCormick as president of Lloyd Home & Building Centers. McCormick had been temporarily standing in as the company's chief. NHCN photos

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Simpler thermostats heat up market 54

NEWSBREAKS

DEPOT BREAKS A BILLION: The Home Depot broke the billion dollar sales mark on Jan. 29 and ended its fiscal year Feb. 1 with sales of $1,011,462,000, a 44% increase over the year before. Depot currently operates 60 stores.

BUILDERS EMPORIUM TO MOVE: The Wickes division has signed a 10-year lease on a 127,000-sq.-ft. office building in Irvine, Calif., and plans to move its headquarters this summer from a 31,000-sq.-ft. building it now occupies in the same Orange County city.

INDUSTRY UPDATE

Pay 'N Pak moves into so. Calif.

INDIO, Calif. — Pay 'N Pak opened a 63,500-sq.-ft. warehouse-style store in an ex-Zodys discount department store in this desert city located near Palm Springs on Jan. 22, marking the 107-unit chain's first outlet in southern California.

Separately, in January, the Kent, Wash.-based retailer closed a 22,000-sq.-ft. unit in Milwaukie, Ore., and opened a 44,000-sq.-ft. unit in Bremerton, Wash.

Western drops merger plan

SAN DIEGO — Four-unit Lumber One based in National City, Calif., dropped its plans to be acquired by Western Lumber Co. (*NHCN*, Feb. 9, 1987).

Allen Quimby, president of seven-unit Western Lumber, said "the deal is dead." He added that he was notified on Feb. 2 by Lumber One owner Don Cole that he "couldn't close" the transaction.

Phone calls to Cole, president of Cole Industries based in National City, were not returned. Lumber One's four stores in Solana Beach, Fallbrook, Temecula, Ramona and a wholesale yard in National City generate an estimated $25-$30 million annual sales.

Western Lumber bought Boise Cascade Corp.'s San Diego-area retail stores and wholesale operations in late 1985.

Louisiana-Pacific shuts unit

OXNARD, Calif. — Louisiana-Pacific closed its 20,000-sq.-ft. L-P Home Center here in late January, leaving the forest products company with one remaining retail outlet, a 20,000-sq.-ft. unit in Costa Mesa, Calif.

Operations manager Mike Sampson said there was no plan to close the Costa Mesa L-P retail unit, which adjoins a 5-acre wholesale yard. The company also will continue to operate a wholesale-distribution facility in Oxnard.

As recently as 1984, Louisiana-Pacific operated seven L-P Home Centers in southern California. Most recently, it sold its Camarillo and Ventura outlets to Terry Lumber Co. of Tarzana, Calif.

Louisiana-Pacific entered the retail business in 1979 with the purchase of six units owned by the Ward & Harrington and People's chains.

Louisiana-Pacific has said its strategy is to concentrate on its wholesale operations.

Interstate buys Forest City stock

CLEVELAND — Interstate Properties, a real estate investment firm based in Paramus, N.J., has acquired 5.01% of the outstanding Class B common stock of Forest City Enterprises, the real estate company that recently sold its home center subsidiary to Handy Andy, Chicago.

Holders of Class B common stock have the capability of voting for 75% of the directors of Forest City.

In a statement filed last month with the SEC, Interstate said its current plans called for purchasing the stock for investment purposes only.

However, Interstate Properties said it was keeping open the possibility of altering its intentions regarding Forest City.

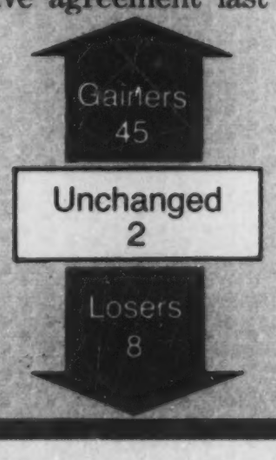
Home center stocks fly high

NEW YORK — Home center stocks continue to fly high, as 45 companies enjoyed price gains over the two-week period ended Feb. 6. There were only eight losers and two stocks remained unchanged.

The biggest percentage winner was Southwest Forest Industries, whose $30.88 price represented a 34.2% increase. The company signed a definitive agreement last month to sell Southwest Forest Products to Stone Container.

Retail gainers included National Lumber (whose stock was up 29.4% to $5.50) and The Home Depot (17.9%, $23.88).

The biggest price drops were felt by Michigan General, whose stock was off 9.1% to $1.25, and Wickes Cos., off 5.9% to $4. In terms of volume trading, Color Tile's stock fell 90%.



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Joseph Lumber will shutter remaining two units by April

By an NHCN staff editor

CHICAGO — The 67-year-old, privately-held Joseph Lumber will close its remaining two Chicago locations and go out of business by April, senior management said.

The firm will auction off its inventory and fixtures in April. Disposal plans for the main, 7.5 acre site owned by the firm are unclear.

Two other leased locations in Chicago were closed late last year. Advertising was halted Jan. 1, and staff was pared to 57 employees, down from 260 employees.

Ted Joseph, general manager and the only third generation member of the Joseph family active in the business, declined to say exactly what led to the family's decision to liquidate the 67-year-old private company, although he noted that the matter had been considered for two years.

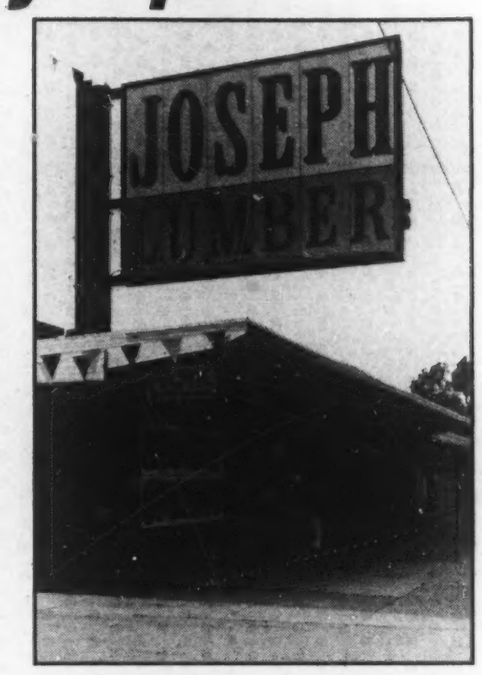
In late 1985 the four principal family members sought to merge with other, unnamed, Chicago retailers. When that failed, the business was put up for sale.

"There were no offers that were acceptable," said Joseph, 34. "We weren't in any kind of trouble. We were profitable and if we would have continued we would have been profitable."

He said 1986 sales were strong, between $15 million and $16 million.

Joseph's stores averaged 20,000 sq. ft. in size and were heavily into lumber and building materials. In the last five years DIY business accounted for 70% to 80% of sales with contractor-industrial business making up the balance.

Joseph competed in the city's far west side market with a unit of the regional Handy Andy chain, a unit of the local Crafty Beaver chain and several small, contractor-oriented yards.



The 67-year-old privately-held Joseph Lumber will be out of business by April. NHCN photo

Consultants may merge with NLBMDA

By an NHCN staff editor

BOSTON — The National Lumber and Building Material Dealers Association (NLBMDA) is investigating the possibility of acquiring an agency that provides consulting services to lumberyards.

Harlan W. Hummel, exec. vp of the NLBMDA, confirmed that a committee has been formed to determine the feasibility of assuming control of the National Lumbermen's Service Corporation (NLSC), advisors to lumber dealers on yard and showroom layouts, store fixtures, advertising and other operational and marketing activities.

The consulting group's possible absorption by the NLBMDA arose at an executive board meeting in Boston during the convention of the Northeast Retail Lumbermen's Association.

The NSLC is currently an operational adjunct of the Michigan Lumber & Building Material Dealers Association, but earlier had been bought and operated by a consortia of several Midwestern lumbermen's group before it became the Michigan group's interest.

Neither Hummel nor Ron Salvatore, the director of the NSLC, would comment on the specifics of how the NLBMDA would assume the group, nor would they comment on some reports that the NSLC had been a financial drain on the Michigan association.

"All I can tell you is that this is a friendly deal," Hummel said.

A decision on the merger is expected to be announced in mid-May.

While acknowledging that the merger is a "long way from happening," Hummel indicated that the NSLC could serve to provide more educational and training services for member dealers.

Since being appointed executive vp, Hummel has placed his emphasis on creating more programs to advance the operational know-how of the group's members (*NHCN*, July 16, 1987).

Midwest dealers expect economic shift

By an NHCN staff editor

MINNEAPOLIS — Optimism was high among upper Midwest retailers attending the 97th Northwestern Lumbermens Association (NLA) convention and show here in late January.

Dealers believe the farm economy and lumberyard failures have bottomed out and, with lower interest rates, housing rehabilitation should begin an upswing.

"General sales are up," said Ed Kranz, NLA president. "The [dealers] who are here are here to stay. They've survived the bad times." Kranz, owner of Salem Lumber in Salem, S.D., said with lower interest rates "people are ready to borrow money and remodel."

Large project sales, new construction and treated wood sales were down last year, according to Fritz Dietrich, co-owner of Dietrich Home and Lumber in Caddott, Wis. Yet smaller ticket sales for paint, speciality products and hardware were up 15%.

"Business has been excellent regardless of the economy," said David Noel, district manager of 11 United Building Center units in southwestern Minnesota.

Yard closings decline

The NLA reported that, including nonmembers, a total of 100 lumberyards closed last year in Iowa, Minnesota, North Dakota and South Dakota. About 180 yards closed in the four states in 1985.

Iowa, the hardest hit, lost 48 lumber and home center yards in 1986, down from the record 63 lost in 1985, according to association figures.

An indication of the area's potential strength was the turnout at the show of the major buying co-ops and the return, after a seven-year absence, of representatives of Cotter & Company. Dewayne Lukasson, district manager for Cotter in Bloomington, Minn., said the return indicated a new emphasis in basic lumber and building materials programs Cotter can offer to the yard dealers.

More than 1,000 people attended the convention.

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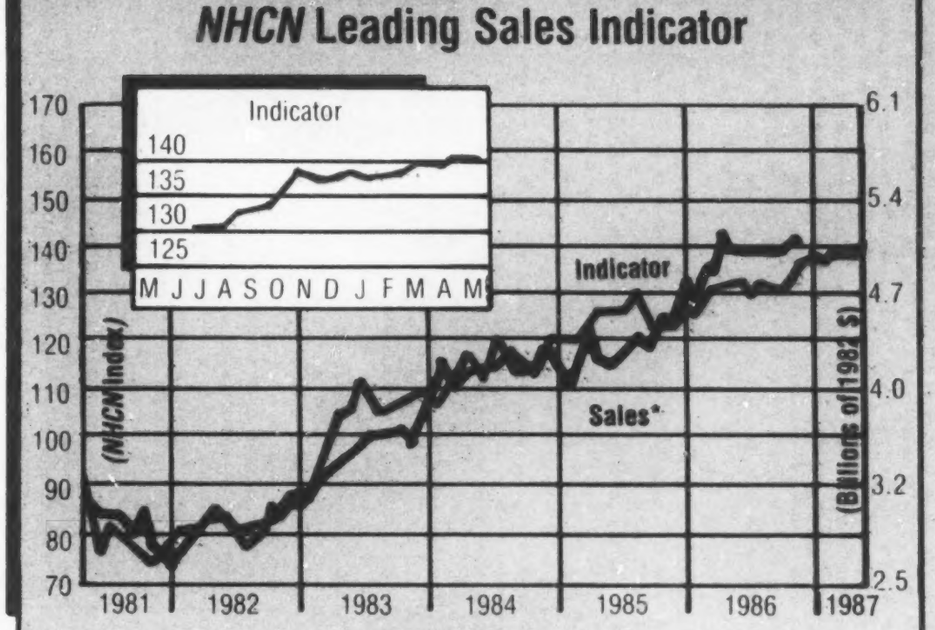
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NCHN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986 (a record high), while single family housing starts will remain near 1.1 million units as interest rates decline.

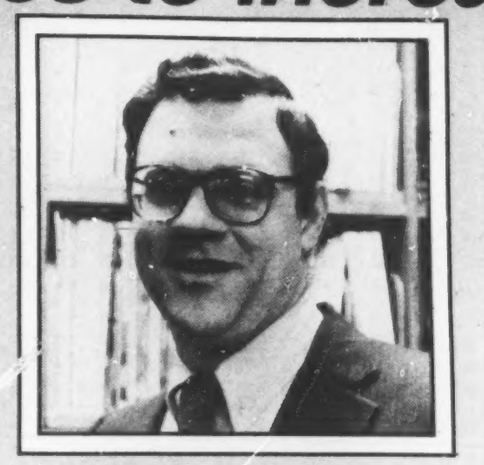
Housing starts, resales boom in Fla.; sales to increase 14%

By Richard E. Mount
Special to NHCN

Building material sales should increase 14% in Florida during 1987, 9% in unit volume. Sales at the national level should be up only 6% in unit volume. The state economy continues to grow faster than the nation, housing starts and resales are booming in many areas, and immigration puts additional demand on the market.

Florida economy

We estimate that building material sales in Florida rose 19% in 1986, with the area north of the Tampa-Cape Canaveral line growing faster. Resales, a strong indicator of building material sales, were up 10% in 1985 and an estimated 12% in 1986. Employment in building material stores rose 8% for the year and, given productivity gains and price increases, would be an additional indicator of the 19% sales gain.



Richard E. Mount

The expansion of the Florida economy has been dominated by six major factors in recent years:

• Population growth is explosive. Approximately 1,000 people move into the state every day and need housing. In the last five years, net migration for the state totaled 1.44 million, beating the 1.43 million for California. From 1980 to 1985, population grew 16.6% to 11.4 million, trailing the

(Continued on page 23)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

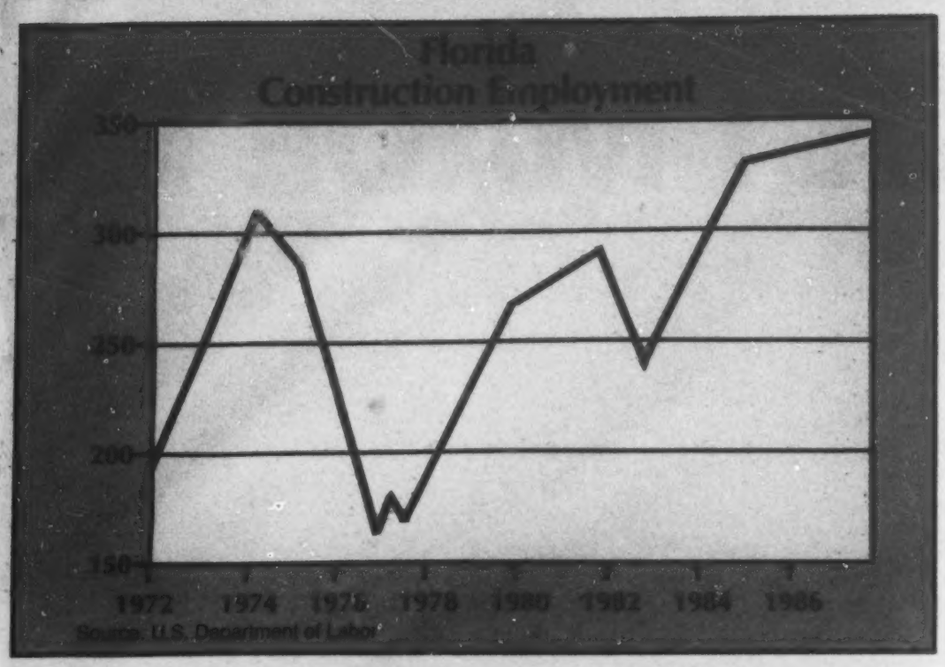
		1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		123.4	124.7	127.9	132.1	136.5	138.2	140.0	142.8	118.5	130.3	141.0
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	56,976	61,180	62,580	62,956	63,444	65,641	67,753	70,172	53,841	62,540	69,259
	New England	3,477	3,492	3,854	4,210	3,908	4,030	4,147	4,288	3,038	3,866	4,237
	Middle Atlantic	8,306	8,324	8,926	9,261	8,781	9,058	9,330	9,635	7,269	8,823	9,522
	East North Central	9,048	8,096	9,699	10,014	10,132	10,535	10,908	11,326	8,381	9,485	11,162
	West North Central	4,000	3,541	4,049	4,413	4,384	4,523	4,661	4,828	3,747	4,097	4,770
	South Atlantic	11,837	13,871	13,442	12,394	13,222	13,693	14,154	14,680	11,262	13,232	14,476
	East South Central	3,182	3,513	3,633	3,757	3,800	3,984	4,133	4,309	2,964	3,676	4,238
	West South Central	6,041	6,817	6,355	5,975	6,167	6,354	6,531	6,751	6,090	6,328	6,672
	Mountain	2,763	3,256	2,962	2,997	3,115	3,223	3,320	3,431	2,674	3,083	3,390
	Pacific	8,322	10,269	9,659	10,087	9,935	10,240	10,570	10,926	8,377	9,988	10,792
Constant	**Millions $1982 SAAR Total United States**	53,749	57,422	60,401	59,924	59,128	60,570	61,900	63,475	51,035	59,219	62,936
	New England	3,280	3,460	3,781	3,733	3,642	3,719	3,788	3,878	2,882	3,654	3,850
	Middle Atlantic	7,836	7,916	8,450	8,317	8,183	8,359	8,524	8,715	6,894	8,217	8,653
	East North Central	8,536	9,193	9,568	9,522	9,443	9,721	9,966	10,245	7,950	9,431	10,143
	West North Central	3,773	4,104	4,210	4,165	4,086	4,173	4,259	4,367	3,554	4,141	4,335
	South Atlantic	11,167	11,613	12,521	12,452	12,322	12,635	12,931	13,279	10,682	12,227	13,154
	East South Central	3,002	3,266	3,533	3,542	3,542	3,677	3,776	3,897	2,812	3,471	3,851
	West South Central	5,699	6,221	6,040	5,932	5,747	5,863	5,967	6,106	5,777	5,985	6,063
	Mountain	2,607	2,800	2,929	2,930	2,903	2,974	3,033	3,104	2,536	2,891	3,081
	Pacific	7,851	8,849	9,368	9,330	9,259	9,449	9,656	9,883	7,946	9,202	9,807
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	6.10	6.03	6.26	6.23	6.16	6.14	6.12	6.11	5.65	6.17	6.12
	Middle Atlantic	14.58	13.79	13.99	13.88	13.84	13.80	13.77	13.73	13.51	13.88	13.75
	East North Central	15.88	16.01	15.84	15.89	15.97	16.05	16.10	16.14	15.58	15.93	16.12
	West North Central	7.02	7.15	6.97	6.95	6.91	6.89	6.88	6.88	6.96	6.99	6.89
	South Atlantic	20.78	20.22	20.73	20.78	20.84	20.86	20.89	20.92	20.93	20.65	20.90
	East South Central	5.58	5.69	5.85	5.91	5.99	6.07	6.10	6.14	5.51	5.86	6.12
	West South Central	10.60	10.83	10.00	9.90	9.72	9.68	9.64	9.62	11.32	10.11	9.63
	Mountain	4.85	4.88	4.85	4.89	4.91	4.91	4.90	4.89	4.97	4.88	4.89
	Pacific	14.61	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	88.6	92.7	91.1	93.9	94.1	92.4	91.1	90.9	88.5	93.0	91.6
	Cement	99.8	121.2	108.7	105.6	110.1	107.9	106.5	105.2	105.7	111.3	106.4
	Gypsum Wallboard	132.8	132.8	133.7	132.3	134.5	134.6	134.2	133.1	126.4	133.3	133.9
	Hardware	99.4	99.8	102.1	103.5	104.5	104.5	103.9	103.2	100.9	102.5	103.8
	Lumber Products	125.7	128.0	132.8	134.1	130.6	127.5	126.7	126.1	122.9	131.4	126.7
	Paint	100.2	100.6	103.0	101.7	106.1	107.2	107.9	108.4	101.9	102.9	108.1
	Plywood	142.9	149.6	161.4	160.1	158.2	155.3	150.9	151.7	138.7	157.3	152.4

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
February 3, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH



Housing starts, resales boom in Fla.; sales to increase 14%

(Continued from page 18)

rates for only Nevada and Alaska which have populations below one million;

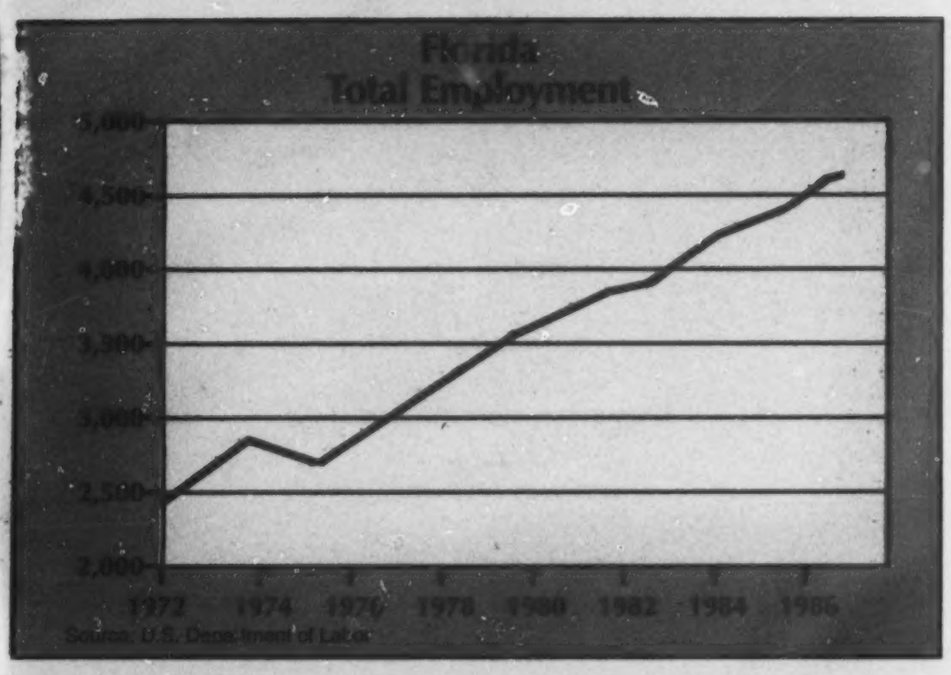
- Defense spending soared in the state for high-technology, military concerns about the Caribbean area, and the space program that was strong until recently. The delay in the shuttle program slowed the Tampa economy in 1986, but it will begin to accelerate in 1987;
- Tourism provides rapid growth to a noncyclical industry, pushing employment and construction activity higher in Orlando and similar cities;
- High tech, outside of defense, remains strong for software, hardware and services. High-tech manufacturing employment was up almost 5% last year in spite of the slowdown in the national computer industry. Central Florida, from Tampa through Orlando and into Daytona enjoy this surge;
- Retirees moving to Florida bring their savings with them, keeping local financial institutions flush with cash. In the past, retirees moved to southern Florida. But in recent years they prefer the northern half where the coastline is not as developed, land is cheaper and cities less congested; and
- Latin America is the major factor for south Florida. While Latin America is currently weak and harms employment and construction in Miami, in the long term it will contribute to growth.

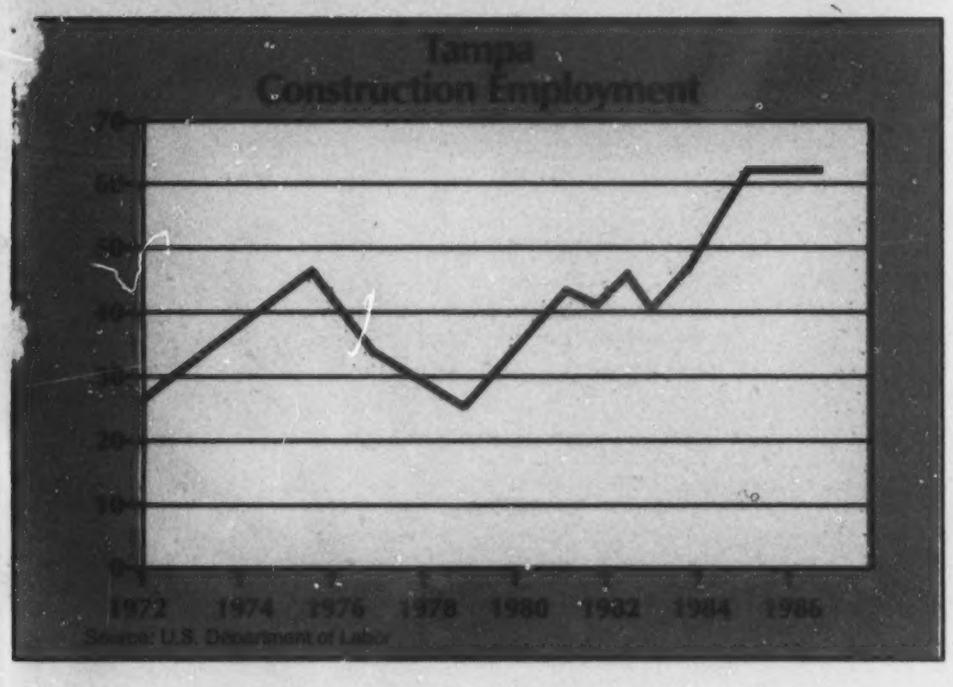
The major problem for the Florida economy is agriculture. During 1984 and 1985 almost 20% of the citrus trees were destroyed by weather. Domestic orange prices are under pressure from Brazilian imports. Lumber is losing share to Canadian producers. Sugar cane is competing more with Caribbean growers. The beef industry finds itself with lower per capita consumption.

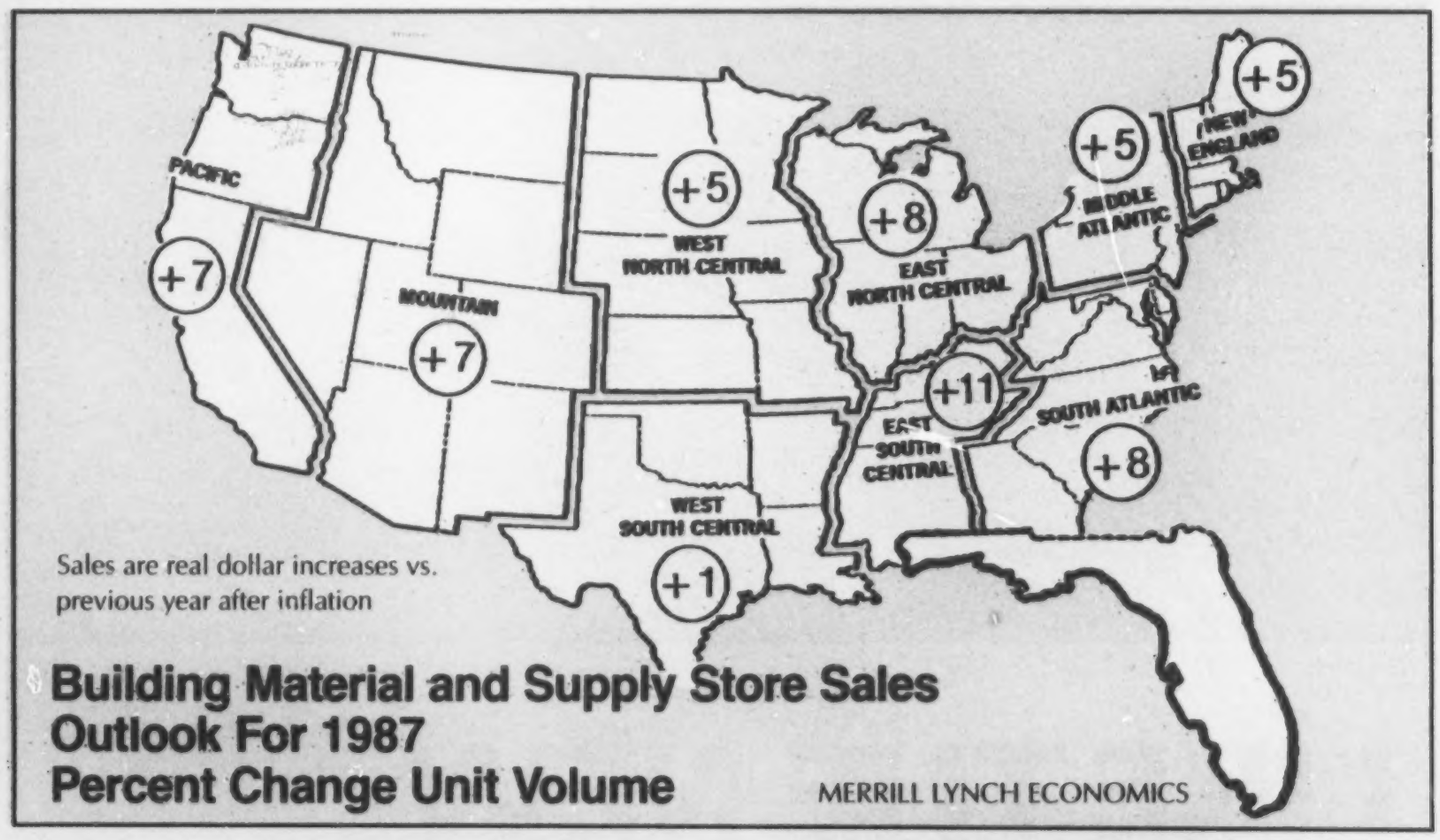
Building material sales/1987

State building material sales should be about 14% this year, down from 19% in 1986, but still above the national average. The construction industry in Florida will slow, but primarily in the areas of apartments, hotels and offices—not major markets for building material retail sales.

Resales, the major market for building material sales, were up 29% in the third quarter of 1986, and we estimate the fourth quarter gain to be at least 10%. The increase in resales will boost demand for building materials higher in the first half of 1987. Resales in Florida could slacken in the first half of 1987 from the rapid growth in late 1986, causing building material sales gains to flatten in the second half.







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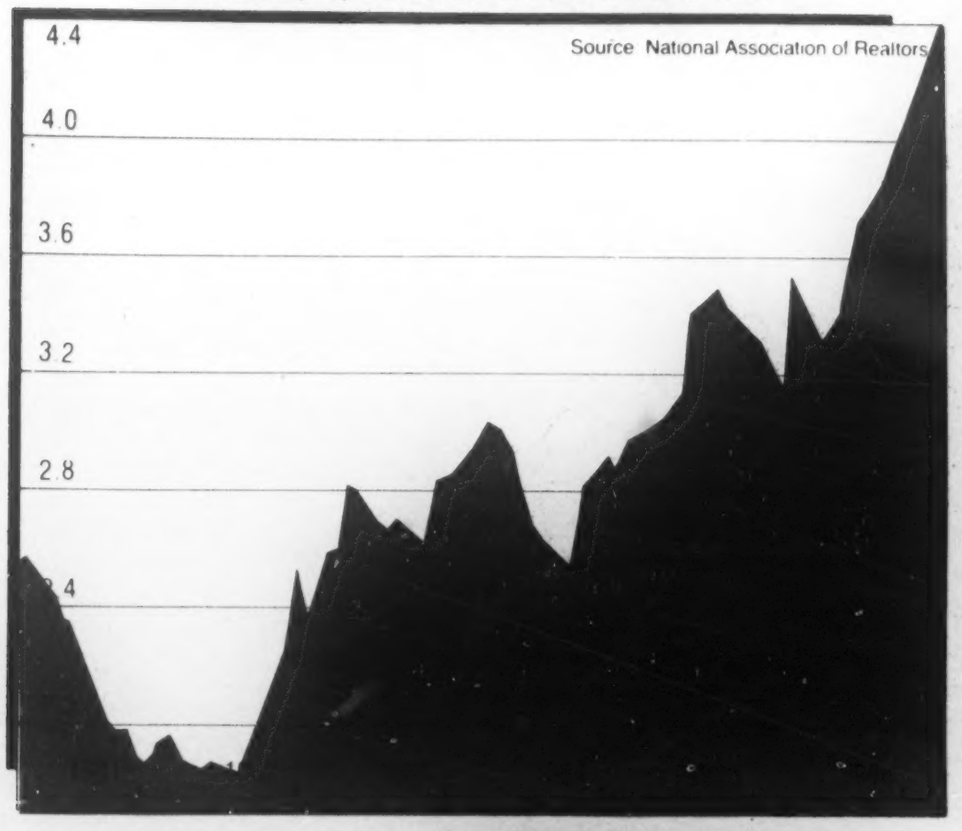
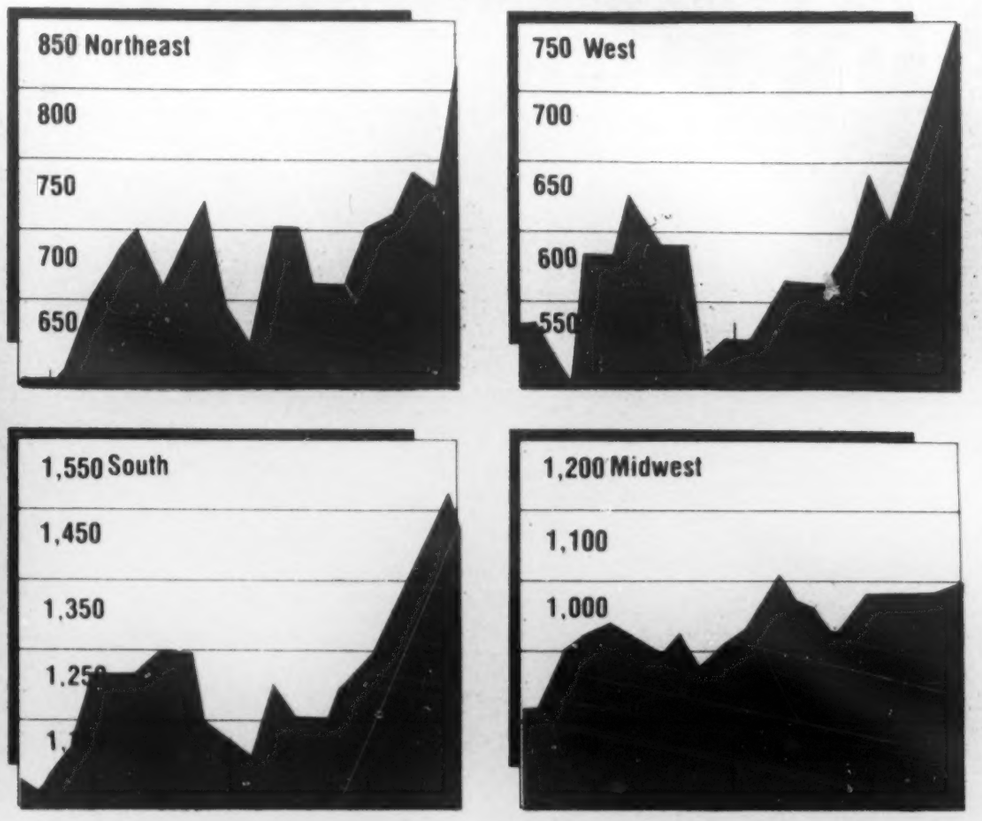
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Dec. resales make 1986 record year

(Continued from page 6)

"Clearly, lower interest rates are making housing one of the few bright spots of an otherwise lackluster economy," said William M. Moore, NAR's president.

The actual number of sales during December was 268,000 units compared to 266,000 units in November, an increase of less than one percent.

Home prices for the year rose 6.3%, to a median $80,300 from $75,500 the year before, the NAR reported. The Northeast recorded the largest yearly home price increase, up 18.2%, to a median $105,100. Prices rose 7.9% in the Midwest to $63,600 last year; 5.3% in the West to a median $100,500; and up 4% in the South to a median $78,200.

Home sales increased in all four regions in 1986, led by a 14.4% gain in the Midwest, to 991,000 units. The Northeast was next with a year-to-year gain of 13% to 703,000 units, followed by an 11.3% increase in the West to 610,000 units. The sales pace in the South rose 7.7% last year to 1.262 million units, the NAR reported.

Median Sale Price
(in thousands of dollars)

	Dec.[p]	Nov.[r]	Oct.	Sept.
U.S.	$ 80.6	$ 80.4	$ 79.4	$ 79.4
Northeast	120.4	106.4	106.0	98.7
South	75.4	76.3	75.9	77.8
Midwest	62.9	63.5	61.1	62.8
West	100.6	102.4	101.7	100.9

[p]-preliminary [r]-revised
Source: National Association of Realtors

The sale of existing single-family homes increased in three of four regions in December, led by the Northeast. This region posted a 12.5% increase in sales to a record 810,000 units, seasonally adjusted, 15.7% ahead of its December 1985 pace. Home prices jumped 13.5% during this monthly period, to a median $120,800, 28.9% above the December 1985 median of $93,700.

The sales pace declined by 1.3% in the South in December, to 1.47 million units, seasonally adjusted, 15.7% above its December 1985 pace. Home prices were a median $75,400 in December compared to $76,300 in November and $74,100 in December 1985.

Sales activity in the West in December rose 11.3% to 790,000 units, seasonally adjusted, 31.7% ahead of the 600,000 units recorded the December before. The median home price for the month was $100,600, down $1,800 from November, but $6,100 more than in December 1985.

The Midwest posted a 10% increase in activity in December, to 1.1 million units, seasonally adjusted, 15.8% above its December 1985 pace. Home prices were a median $62,900 in December, down $600 from the month before, but 7.3% above the cost of a median-priced home in December 1985.

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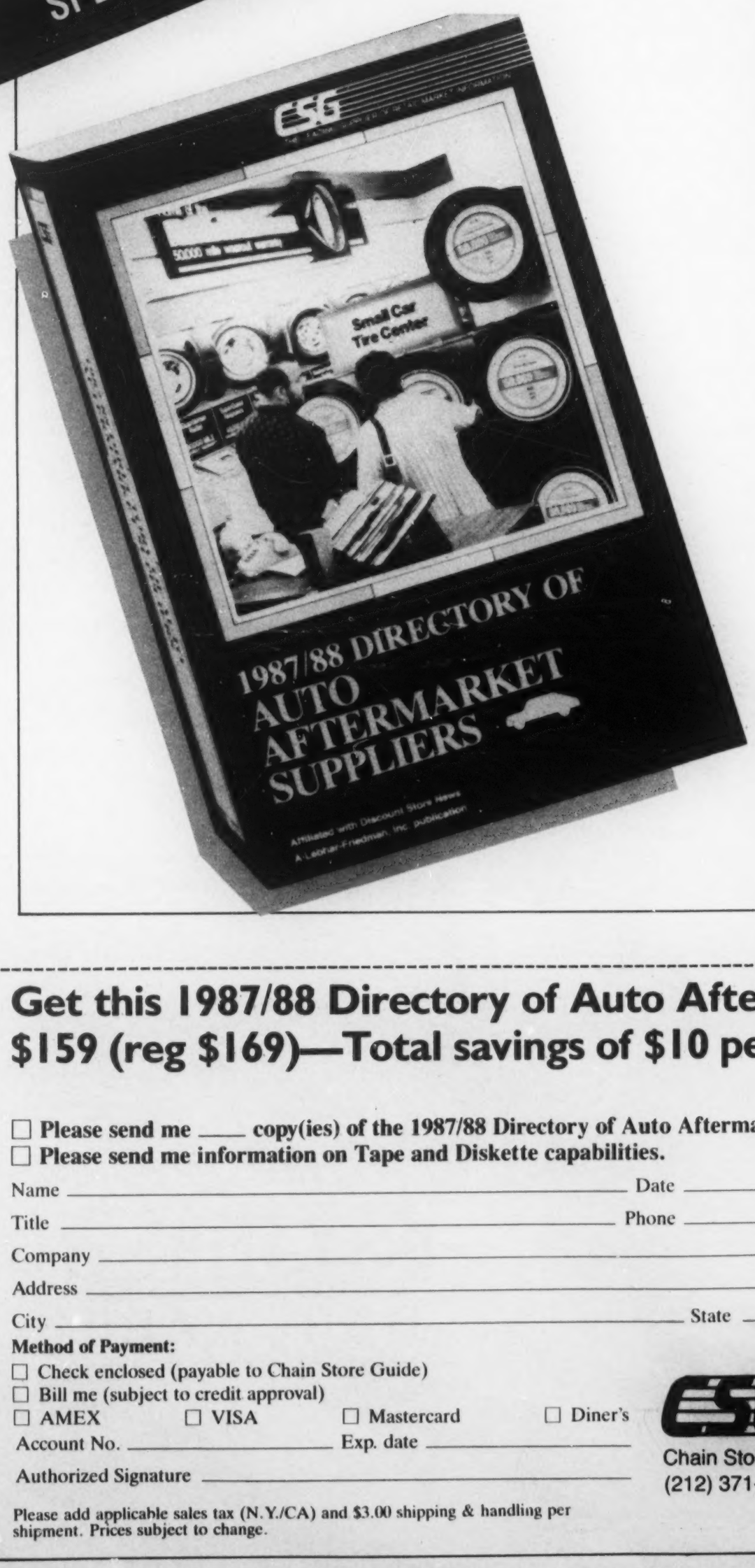
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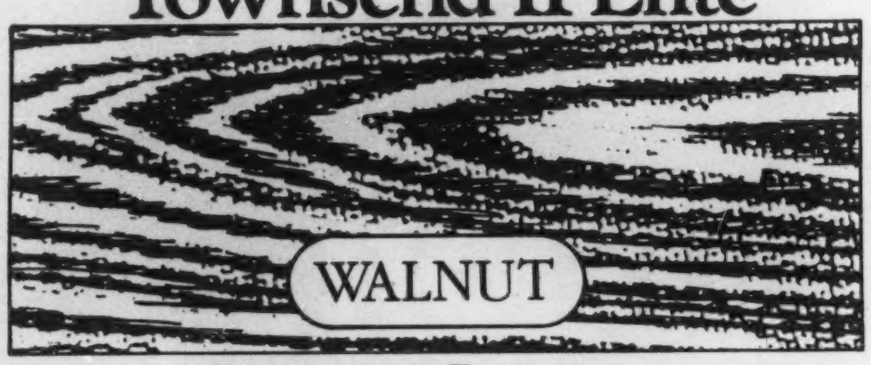

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LUMBER REPORT

Study: Retailers and distributors weak link for treated wood info

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Retailers and lumber distributors emerged as the weak link in a vigorous voluntary effort by treated wood manufacturers who agreed to distribute consumer information sheets to the public about the chemicals used to make pressure treated lumber and plywood.

The pressure treated wood industry had been abiding by a year-old agreement with the Environmental Protection Agency (EPA) to distribute separate information sheets on the chemicals they use to make their products impervious to water, insects, fire and decay.

The Consumer Awareness Program (CAP), which began in September of 1985 and ended a year later, was followed-up with an audit by an neutral survey agency that conducted an industrywide study to determine the penetration of the sheets in the marketplace. Findings of the survey were submitted to the EPA in November to help the agency decide if the industry could distribute the chemical awareness sheets voluntarily or if the producers would be forced to do it.

According to George K. Eliades, president of the Society of American Wood Preservers, the audit proved to be encouraging from the producer and treater aspects, but was less so when retail and wholesale participation was tallied.

From a study that was nationally projectable, Eliades said 100% of the formulators knew about the EPA agreement and 94% participated in the distribution of the sheets. For treaters, 100% of them knew about CAP and 97% participated. But on the retail/wholesale front, Eliades said only 81% new about the program and 70% participated.

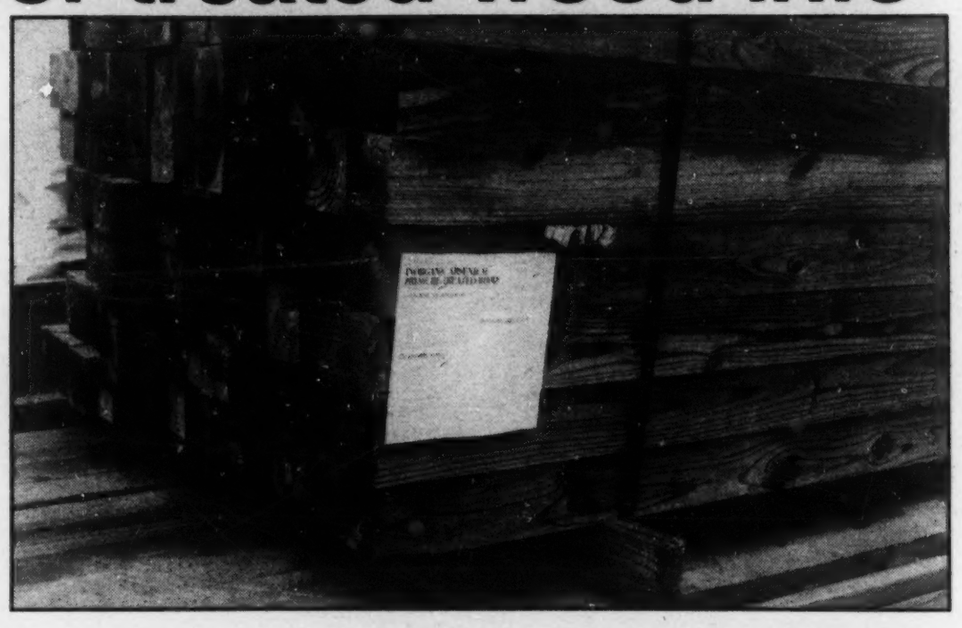
Eliades said the industry had been looking for a 100% awareness level by the retail and wholesale communities.

Despite the performance among dealers and distributors, Eliades called the audit an "overwhelming success," but noted that the EPA has the final review.

"Obviously, we've still got a lot of work to do with the dealers and the wholesalers," Eliades said. "There's still nearly one-fifth of the retailers and the distributors who did not know about the program and did not participate.

"They really should because it is in their own best interest."

The industry was forced to create the CAP as a result of the Toxic Substances Control Act of 1976 and the Federal Insecticide, Fungicide and Rodenticide Act which, at one time, sought to eliminate from the environment the three key chemicals wood treaters use, namely, inorganic arsenicals, creosote and pentachlorophenol, and chromated copper asenate (CCA).



Bundles of stockade fencing and decking materials at Home Depot's Duluth, Ga., unit prominently display consumer information sheets identifying the chemicals used to treat the lumber. NHCN photo

If the EPA's initial ban had become law, Eliades and other industry insiders estimate that 70% of the wood treating industry would have been forced out of business.

Industry groups and manufacturers sued to stop the EPA from banning the chemcials and financed a $1.5 million battery of scientific and medical studies to rebuff EPA contentions that the substances the industry used were toxic and dangerous.

In an out-of-court settlement, the manufacturers agreed to the CAP approach, operating under the stern threat that if the program fails the EPA will force the industry to comply with a stricter method. Eliades said the tougher method would mean stamping every piece of lumber and plywood with the identities of the chemicals used to treat them—a process that would increase operating costs substantially.

"It will be like buying a pack of cigarettes," Eliades said.

The way the CAP program currently works is that treated wood producers distribute sheets or placards that wholesalers and retailers pass on to their customers. In the case of retailers, lumber bins and departments that carry the products must prominently display the sheets.

Each sheet, the text of which fills a 8½ by 11-in. sheet of paper, contains safety-oriented information on handling and disposing pressure treated wood.

In the year since the program was enacted, retailers who participated in CAP have used a number of means to display the sheets. Some simply taped the sheets to the H-frame bins that contain decking materials and treated lumber while others have set stacks of sheets in endcaps.

But Eliades said the blanket has to be stretched wider in the retail and wholesale fields. He said he expects to meet soon with top management at Hechinger to discuss the role retailers have in the CAP and how important their participation is to the program.

"The retailers need to participate in this program because treated wood is a profit center for them," Eliades said. "And if we fail, then they won't have any treated wood to sell. "It's no reason for them not to do it."

Eliades said that the manufacturers were surprised that the industry had to undertake the production and distribution of the consumer information sheets in the first place. He said since the technique of pressure treating wood was developed, there is no record of anyone ever dying or becoming ill from the working with treated lumber.

He said the sheets contain basic, common sense information, such as washing hands, wearing eye protection and cleaning up the work area afterwards.

Eliades said the industry has yet to hear from the EPA about the audit.

New production studies by the Wood Preservers Institute—an association that represents 70% of manufacturers—tend to show that pressure treated wood producers have been increasing their output consecutively for the past five years.

Treated lumber production has nearly tripled since 1980 from 1.1 billion board feet to 2.8 billion board feet in 1986. The amount of increase in pressure treated plywood grew likewise from 19.2 billion sq. ft. in 1980 to 55 billion sq. ft. last year.

OSB, waferboard gain on veneer

NATIONAL REPORT — Predictions that oriented strand board (OSB) and waferboard will gain more ground against veneer are getting truer with each passing year.

According to recent 1987 production forecasts compiled by *Random Lengths*, nonveneer producers will add more than 1.5 billion square feet on a 3/8-inch basis by mid-1988. This is in addition to the 400 million square feet of capacity added just in the second half of 1986.

If all the planned new plants and mill improvements are completed, capacity will increase to 7.3 billion square feet, a little more than one-fourth of all structural panel production.

Perspectives

cover story

Survey reveals scope of labor shortage crisis

By an NHCN staff editor

NATIONAL REPORT — Labor shortages constitute a particularly severe operating problem for retailers, one that impacts profit, customer satisfaction and company morale, according to a survey released by the National Retail Merchants Association (NRMA).

The survey, entitled, "A Review of Demographic Developments and Labor Forecasts in Retailing Through 1995," was prepared for NRMA by Oscar Ornati, professor of Manpower Management at New York University's Graduate School of Business.

Released last summer, the survey revealed that 85% of specialty chain respondents said labor shortages were a problem and nearly half said profit and morale were affected by it.

The survey included responses from department store retailers, mass merchandisers, specialty store operators and specialty chain executives, plus a category called "other."

The outcome for each group was similar.

In a large part, the labor shortages are a function of declining birth rates, providing the industry with fewer young workers, the driving force in retail operations.

Another factor contributing to the retail labor shortages is the increasing number of women in the work force opting for more professional jobs, said Samuel M. Ehrenhalt, regional commissioner of the Labor Department, Bureau of Labor Statistics.

Ornati reported that the 16-24 age population is declining by about 500,000 a year. By 1995, the U.S. Department of Labor is estimating that the population of this age group will decline by 23% to 20 million, from 26 million in 1980.

At the same time, noted Ehrenhalt, middle-aged workers, aged 30-49, are projected to account for all the net growth in the nation's labor force through 1995. "The middle aged will be the prime target group for employers to attract in meeting their requirements for workers in the coming years," he said.

Overcoming or minimizing labor shortages boils down to retailers finding "novel" approaches to recruiting new workers and retaining existing ones, Ornati concluded.

Ehrenhalt also suggests retailers seek older workers to fill their jobs and offer all employees long-term career paths.

Currently, retailers are trying as best they can to staff their stores. However, respondents in the inner cities of Atlanta, Boston, Los Angeles, San Francisco and Washington appear to be having the most difficulty, according to the survey.

Nine out of 10 specialty chain respondents said evening and weekend help were hard to come by and all the respondents said paying $4 an hour or less and finding under 18-year-old employees were the worst obstacles for them.

In terms of hiring problems, low wages was listed as a dilemma by all respondents of companies with sales below $5 million; lack of work experience was the main problem for retailers with sales between $5 million and $25 million; and poor wages coupled with a variety of other reasons were named as the problem areas for companies with receipts between $25 million and $100 million.

For companies with sales greater than $1 billion, poor wages and commuting problems were noted recruiting blocks.

Despite the problems retailers are having recruiting employees, they still use traditional recruiting methods. They rely almost extensively on "walk-ins" to provide them with potential employees, the survey revealed. Specialty chain retailers rely on this method most heavily, with 92% of the respondents answering this way.

More than six out of 10 survey respondants said they use classified ads to find new employees. None of the people surveyed said they used state agencies to help them find new workers.

But 39% of the surveyed retailers said they use local schools to find workers, and 23% said they use local clubs for assistance in recruiting.

Reasons for Recruiting Difficulty

	Department Stores	Specialty Stores	Specialty Chains
Lack of work experience	13%	27%	23%
Personal image	60	46	62
Inadequate skills	30	27	31
Poor wages	77	36	69
Commuting	31	10	31

Source: NRMA survey

Specialty chain retailers reported that labor shortages pose a recruiting problem and listed personal image and poor wages as the two areas of greatest difficulty.

Home center wage rate tops other retail sectors

By an NHCN staff editor

NATIONAL REPORT — Home improvement employees enjoy an environment of low unemployment and relatively high wages compared to other retail careers, according to information available at the U.S. Commerce Department, Bureau of Labor Statistics.

"It seems to be a little more stable than overall retail trade," said Rick Devens, economist with the Bureau.

The jobless rate for lumber and building materials outlets was 5% during the third quarter of 1986—the most recent figures available—compared to 7.5% for all of retail and 6.7% nationally in December, the Bureau reported.

And despite the fact that minimum wage is $3.35 an hour, wages for home improvement workers far exceeded that, by more than $3 an hour on average. Earnings, however, grew slowly for these workers between 1983 and 1986.

According to the Bureau of Labor Statistics, the average home improvement worker earned $6.55 an hour last year, up from $6.43 in 1985. In 1983, that same worker earned $6.07 an hour.

The highest paid workers, according to the Bureau, were those employed in companies identified as lumber and other building material outlets. These workers earned $7.10 an hour last year for a 38-hour work week, just 16 cents an hour more in 1986 than they earned in 1985 and 62 cents an hour more than in 1983.

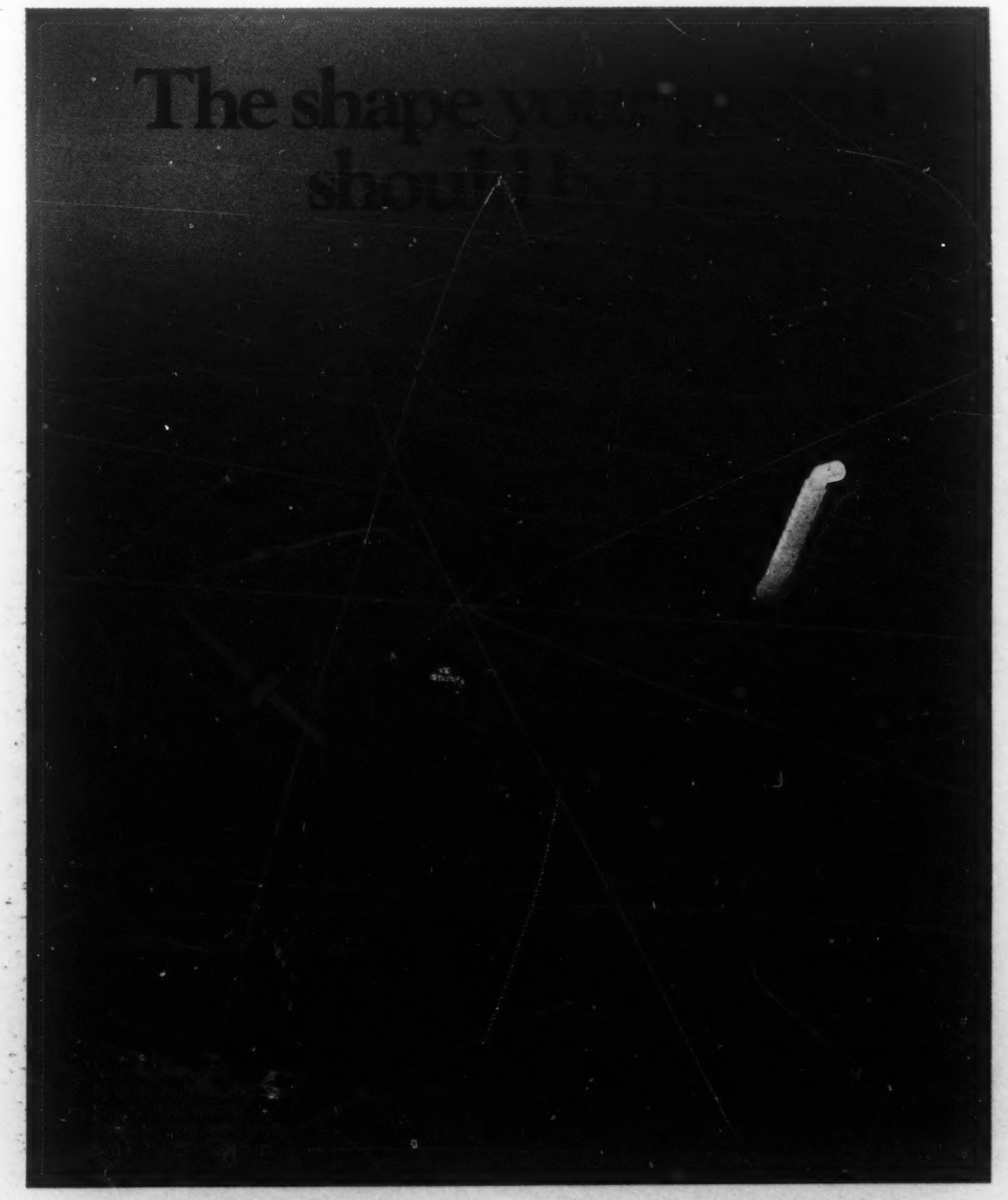
The lowest paid home improvement workers were employed by hardware stores. They earned $5.75 an hour last year, up from $5.68 the year before, for a 33-hour week. Four years ago, hourly hardware store employees earned $5.49 an hour, the Bureau reported.

Employees working for building materials and garden supplies units—which employs the largest number of workers, 690,000 people last year—earned $6.80 a hour in 1986, up from $6.60 in 1985, for a 36.5-hour work week, the Bureau of Labor Statistics reported.

Lumber and other building materials companies employed 375,000 workers last year, and hardware stores employed 155,000 workers.

What Store Management Can Do About The Labor Shortage:

- Focus on hiring people at least 19 years old. The difference in one year will significantly reduce turnover rates, absenteeism and lateness.
- Develop training programs to modify the attitudinal problems of some youth.
- Consider recent retirees whose experience make them good part-time employees.
- Experiment with employing the mildly disabled.
- Reach out to "stay-at-home" mothers through child care programs.
- Expand incentive pay systems and experiment with performance bonuses.
- Establish permanent relationships with community employment institutions, and develop "adopt-a-school" programs.



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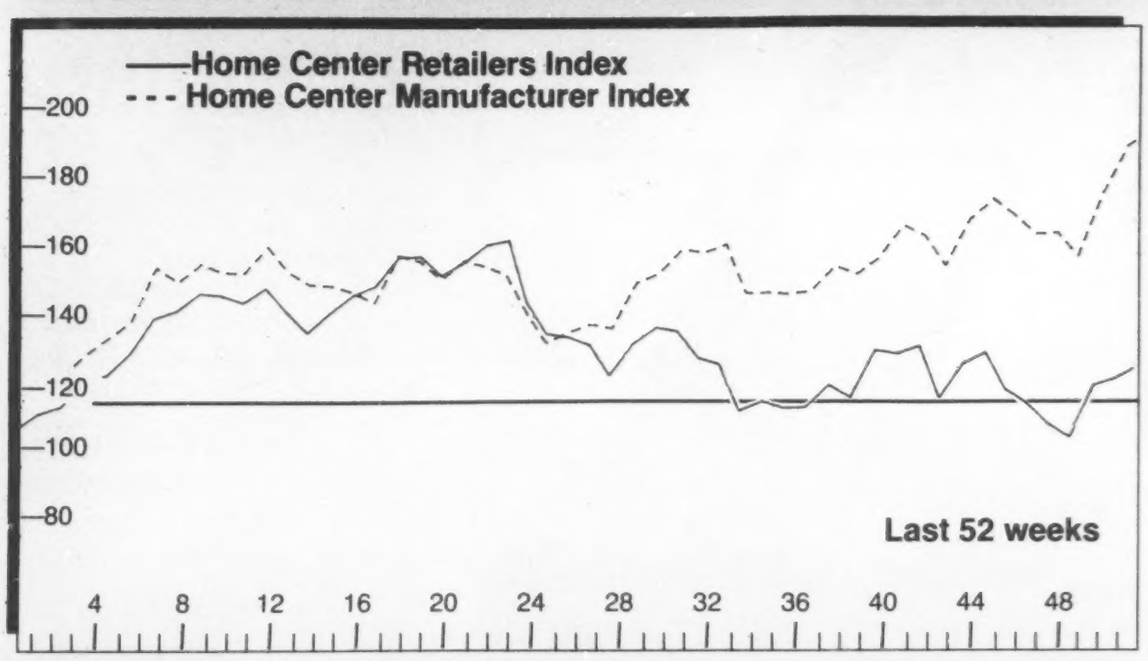
FINANCIAL NEWS

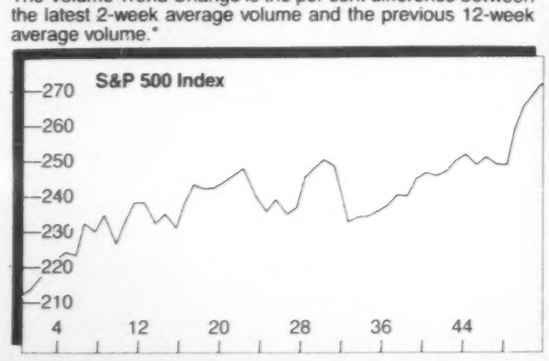


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
2-06-87	(100)	%	%
SW Forest Ind ..... N	76,424	604.2	34.2
Macmillan Bloedel ..... M	4,380	487.5	17.1
Insilco Corp ..... N	16,581	307.7	9.7
Pay N Pak ..... N	6,587	297.0	2.1
Home Depot ..... N	20,499	267.9	17.9
Thos Inds ..... N	2,668	258.7	10.0
Potlatch Cp ..... N	5,779	253.7	7.6
Black & Decker ..... N	53,431	249.8	7.3
Genova ..... M	275	227.3	5.1
Natl Lumber ..... M	968	224.5	29.4

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 2-06-87	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
SW Forest Ind ..... N	30.88	34.2	76,424
Natl Lumber ..... M	5.50	29.4	968
Home Depot ..... N	23.88	17.9	20,499
Armstrng Wrld ..... N	38.25	17.2	13,076
Macmillan Bloedel ..... M	44.50	17.1	4,380
Zayre Corp ..... N	29.13	16.5	46,773
Ply-Gem ..... A	16.00	15.3	4,963
Pope & Talbot ..... N	39.00	13.9	5,401
Scotty's Inc ..... N	14.25	12.9	3,308
Owens Corn ..... N	21.00	12.8	46,697
Losers	$	%	(100)
Mich General ..... A	1.25	- 9.1	2,068
Wickes Cos ..... A	4.00	- 5.9	88,302
Am Woodmark ..... M	14.13	- 4.2	457
Waxman Ind ..... M	10.63	- 3.4	2,501
Lewis Palmer ..... M	7.75	- 3.1	1,005
Mor-Flo Inds ..... M	13.75	- 1.8	59
USG Corp ..... N	41.00	- 1.8	16,585
Color Tile ..... M	30.00	- 1.2	6
Manville Cp ..... N	2.00	.0	8,301
Svc Merchandise ..... M	7.88	.0	38,742

National Home Center News®

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 2-06-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile ..... M	30.00	- .38	- 1.2	32.50	30.00	33.00	19.75	6	.01	.10	- 90.0	19.0	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent ..... A	38.50	3.00	8.5	39.38	35.50	39.38	22.00	229	.29	.16	81.3	24.1	.30	.8	.....	9 mos.	10-86	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R ..... N	54.00	.88	1.6	55.50	51.50	60.75	45.25	34,037	8.19	2.95	177.6	18.4	2.80	5.2	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Hechinger A ..... M	20.25	1.00	5.2	20.50	18.50	23.59	16.00	4,072	3.73	1.97	89.3	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	20.00	.25	1.3	20.50	18.50	23.59	16.25	1,230	.75	.50	50.0	23.3	.06	.3	.....	9 mos.	10-86	149.1	26.0	6.3	14.5	.21	16.7	448.1	23.7	19.6	18.8	.64	14.3
Home Depot ..... N	23.88	3.63	17.9	23.88	19.63	23.88	11.88	20,499	8.13	2.21	267.9	32.3	.00	.0	.....	9 mos.	10-86	251.5	41.5	3.9	225.0	.15	275.0	737.6	48.4	16.2	189.3	.83	186.4
INTERCO Inc ..... N	42.13	3.00	7.7	42.13	38.63	47.63	35.31	19,106	6.71	2.20	205.0	13.5	1.60	3.8	.....	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Cp ..... N	52.00	4.38	9.2	52.50	46.50	57.38	36.63	65,352	5.06	2.31	119.0	22.3	1.48	2.8	.....	9 mos.	10-86	5686.3	8.9	87.3	12.8	.66	10.0	16877.7	7.7	297.3	41.1	2.24	36.6
Lowe's Cos ..... N	29.00	.25	.9	29.00	26.88	41.50	22.50	11,493	2.90	1.78	62.9	19.7	.40	1.4	.....	9 mos.	10-86	594.3	8.2	12.5	- 19.9	.31	- 26.2	1786.1	11.8	45.1	- 6.8	1.16	- 12.8
Mich General ..... A	1.25	- .13	- 9.1	1.50	1.25	5.25	1.00	2,068	1.16	.80	45.0	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	7.88	.13	1.6	7.88	7.75	9.31	5.69	26	.21	.47	- 55.3	18.8	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	5.50	1.25	29.4	6.00	4.25	7.00	4.00	968	1.72	.53	224.5	NE	.00	.0	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	12.00	.25	2.1	12.00	11.38	19.38	9.50	6,587	6.59	1.66	297.0	18.2	.40	3.3	.....	9 mos.	11-86	101.4	17.9	1.9	5.6	.19	5.6	315.2	21.6	5.3	- 23.2	.53	- 23.2
Payless Cash ..... N	21.88	1.50	7.4	22.50	19.75	27.50	15.88	9,149	2.64	1.58	67.1	17.9	.16	.7	.....	fiscal	11-86	405.6	7.2	11.0	- .9	.31	- 3.1	1527.7	10.0	42.4	11.3	1.22	8.9
Scotty's Inc ..... N	14.25	1.63	12.9	14.63	12.38	18.13	12.00	3,308	2.29	.77	197.4	17.6	.52	3.6	.....	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck ..... N	45.50	.88	2.0	46.63	44.63	50.38	39.00	78,555	2.10	1.12	87.5	12.4	1.76	3.9	.....	9 mos.	09-86	11171.3	11.2	328.1	25.1	.88	23.9	31311.8	9.3	808.3	7.6	2.17	6.9
Svc Merchandise ..... M	7.88	.00	.0	8.00	7.63	15.00	7.38	38,742	11.63	4.77	143.8	NE	.08	1.0	.....	9 mos.	09-86	329.5	- 37.6	(30.3)	NE	(.92)	NE	1413.2	- .5	(68.8)	NE	(2.07)	NE
Std Brd Prt ..... N	22.50	1.00	4.7	22.75	21.00	27.00	19.38	4,663	4.12	1.63	152.8	18.3	.58	2.6	.....	9 mos.	10-86	85.9	- 4.6	4.2	5.0	.38	8.6	252.9	- 5.1	12.3	- 13.4	1.09	- 13.5
Supermkts Gen ..... N	30.00	1.25	4.3	30.25	28.25	32.25	22.50	12,299	3.19	1.78	79.2	17.6	.28	.9	.....	9 mos.	10-86	1374.7	8.8	9.6	- 60.3	.24	- 29.4	4073.4	8.2	41.8	- .7	1.10	- 6.8
Wickes Cos ..... A	4.00	- .25	- 5.9	4.38	3.75	7.00	3.25	88,302	3.72	1.93	92.7	10.8	.00	.0	.....	9 mos.	10-86	1254.8	- 14.5	33.0	114.3	.15	200.0	3361.7	11.6	69.5	252.8	.30	650.0
Wolohan Lumber ..... M	10.38	.38	3.8	10.88	9.50	10.75	5.88	2,552	4.36	1.55	181.3	12.5	.20	1.9	.....	9 mos.	09-86	58.7	25.4	1.9	58.3	.33	65.0	141.9	25.2	3.6	63.6	.61	60.5
Zayre Corp ..... N	29.13	4.13	16.5	29.25	24.00	43.88	20.75	46,773	7.93	2.54	212.2	20.4	.32	1.1	.....	9 mos.	10-86	1316.4	30.5	22.9	- 15.2	.38	- 17.4	3573.6	32.6	48.6	- 16.5	.81	- 19.0
Wholesalers																													
Lewis Palmer ..... M	7.75	- .25	- 3.1	8.25	7.63	9.88	7.25	1,005	2.56	1.71	49.7	24.2	.28	3.6	.....	9 mos.	10-86	60.0	50.4	.7	16.7	.17	6.3	140.4	27.2	1.2	50.0	.31	40.9
Stanline Inc ..... M	9.63	.38	4.1	10.00	8.50	12.13	7.84	228	1.34	.65	106.2	10.5	.32b	3.3	.....	fiscal	10-86	15.9	14.4	.4	.0	.31	40.9	59.7	7.8	1.5	15.4	.92	3.4
Manufacturers																													
Allegheny Int ..... N	14.13	.88	6.6	14.25	13.25	25.25	11.38	2,520	2.34	2.07	13.0	NE	.00	.0	.....	9 mos.	09-86	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Standard ..... N	46.50	.50	1.1	46.63	42.75	48.00	36.00	9,781	2.94	1.44	104.2	8.8	1.60	3.4	NEW	fiscal	12-86	769.7	- .6	33.0	- 9.1	1.00	8.7	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark ..... M	14.13	- .63	- 4.2	14.75	14.00	14.75	10.00	457	.66	.70	- 5.7	13.0	.00	.0	.....	6 mos.	10-86	31.9	31.3	2.3	109.1	.33	50.0	60.3	24.1	4.1	86.4	.63	43.2
Armstrng Wrld ..... N	38.25	5.63	17.2	38.63	31.50	38.63	23.06	13,076	2.71	1.44	88.2	15.1	.84	2.2	NEW	fiscal	12-86	496.4	16.5	30.1	33.2	.63	34.0	1920.3	14.4	122.4	21.3	2.54	21.0
Black & Decker ..... N	20.13	1.38	7.3	20.75	18.38	25.25	14.50	53,431	9.20	2.63	249.8	43.8	.40	2.0	NEW	3 mos.	12-86	529.0	1.4	22.4	7.2	.38	- 7.3	529.0	1.4	22.4	7.2	.38	- 7.3
Boise Cascade ..... N	79.25	3.25	4.3	80.50	74.25	80.50	47.75	20,107	6.89	2.42	184.7	23.9	1.90	2.4	NEW	fiscal	12-86	969.3	8.6	31.9	67.9	1.04	70.5	3790.5	1.4	101.5	- 2.7	3.32	- 3.8
Certain-teed ..... N	38.25	3.50	10.1	38.50	34.50	38.50	24.63	2,706	1.43	.67	113.4	12.7	.90	2.4	NEW	fiscal	12-86	268.6	2.6	10.7	2.9	.57	3.6	1114.2	.4	57.3	7.3	3.02	10.6
Champ Intl ..... N	37.63	.75	2.0	39.63	36.50	39.63	22.50	45,189	4.80	2.76	73.9	18.1	.52	1.4	.....	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc ..... N	43.50	1.13	2.7	43.75	41.25	43.75	34.25	687	1.43	.63	127.0	53.0	1.40	3.2	NEW	fiscal	12-86	77.8	3.0	.4	- 86.2	.09	- 85.0	413.8	2.0	3.9	- 72.5	.82	- 72.4
Emhart Corp ..... N	40.25	3.25	8.8	40.63	35.63	42.63	30.75	4,590	1.48	1.07	38.3	NE	1.40	3.5	.....	9 mos.	09-86	472.6	12.2	(71.2)	- 100.0	(2.30)	- 100.0	1510.1	17.0	(33.4)	- 100.0	(.98)	- 100.0
Genova ..... M	5.13	.25	5.1	5.19	5.00	5.63	4.38	275	.72	.22	227.3	11.9	.10	2.0	.....	fiscal	09-86	15.9	15.2	.7	.0	.19	- 5.0	51.8	4.2	1.6	6.7	.43	7.5
Georgia-Pacific ..... N	47.13	1.38	3.0	48.25	44.25	48.25	27.25	40,192	3.87	2.00	93.5	17.5	1.00	2.1	NEW	fiscal	12-86	1781.0	12.0	83.0	2666.7	.75	NE	7223.0	7.5	296.0	67.2	2.69	74.7
Insilco Corp ..... N	24.60	2.13	9.7	25.50	21.13	25.50	17.38	16,581	7.99	1.96	307.7	15.2	1.00b	4.2	.....	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
La Pacific ..... N	38.50	3.88	11.2	39.63	33.88	39.63	22.75	24,716	6.71	2.09	221.1	21.8	.80b	2.1	NEW	fiscal	12-86	382.2	22.3	16.8	147.1	.46	142.1	1506.2	19.5	64.9	154.5	1.77	152.9
Macmillan Bloedel ..... M	44.50	6.50	17.1	45.50	39.63	45.13	18.25	4,380	1.41	.24	487.5	NA	.75	NA	.....	9 mos.	09-86	657.6	10.1	31.7	182.0	.74	311.1	1998.5	13.6	110.0	388.9	2.73	2630.0
Manville Cp ..... N	2.00	.00	.0	2.00	1.88	8.88	1.63	8,301	3.46	2.55	35.7	.8	.00	.0	.....	9 mos.	09-86	511.1	8.4	26.7	NE	.85	NE	1457.2	3.7	63.9	NE	1.88	NE
Masco Corp ..... N	36.50	4.00	12.3	36.75	31.75	36.75	22.38	24,558	1.90	1.02	86.3	19.6	.36	1.0	.....	9 mos.	09-86	367.0	NC	51.3	NE	.40	NE	1002.0	123.1	148.0	537.9	1.15	101.8
Mor-Flo Inds ..... M	13.75	- .25	- 1.8	14.00	13.75	19.25	12.00	59	.23	.22	4.5	15.3	.01	.1	.....	9 mos.	09-86	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co ..... N	31.50	1.75	5.9	31.50	29.13	36.75	24.00	2,535	2.21	1.15	92.2	14.5	.84	2.7	NEW	fiscal	12-86	105.5	9.2	7.4	34.5	.63	3.3	401.4	14.7	24.0	27.0	2.17	3.8
Owens Corn ..... N	21.00	2.38	12.8	21.00	17.63	21.00	8.88	46,697	12.46	8.24	51.2	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	16.00	2.13	15.3	16.13	13.75	16.13	10.00	4,963	6.18	2.09	195.7	18.4	.12	.8	___	9 mos.	09-86	59.2	49.9	1.6	45.5	.16	.0	168.9	37.3	6.0	93.5	.72	41.2
Pope & Talbot ..... N	39.00	4.75	13.9	40.00	32.63	40.00	17.75	5,401	9.00	3.52	155.7	14.8	.88	2.3	NEW	fiscal	12-86	90.6	- 18.8	8.4	1300.0	1.40	1300.0	288.1	- 11.1	15.8	135.8	2.63	136.9
Potlatch Cp ..... N	74.00	5.25	7.6	75.50	66.00	75.50	37.25	5,779	4.35	1.23	253.7	14.9	1.88	2.3	NEW	fiscal	12-86	243.3	7.0	20.2	358.1	1.45	457.7	976.4	2.7	70.0	85.7	4.98	127.4
Sherwin-Wms ..... N	33.25	.88	2.7	34.25	32.63	35.13	22.75	8,196	1.82	1.60	13.8	14.4	.50	1.5	NEW	fiscal	12-86	350.5	- 32.3	36.3	221.2	.81	237.5	1552.9	- 28.2	106.0	42.1	2.31	42.6
SW Forest Ind ..... N	30.88	7.88	34.2	31.50	22.75	31.50	11.88	76,424	62.25	8.84	604.2	NM	.00	.0	NEW	fiscal	12-86	169.9	.4	15.1	NE	1.06	NE	631.5	- 9.8	7.2	NE	.17	NE
Stanley Works ..... N	31.88	.13	.4	33.38	30.63	33.50	23.19	7,317	1.75	.90	94.4	16.4	.76	2.4	.....	9 mos.	09-86	388.3	30.7	20.1	3.6	.48	2.1	1115.1	25.9	55.3	5.1	1.32	3.1
Thos Inds ..... N	20.63	1.88	10.0	21.75	18.13	24.31	15.50	2,668	2.69	.75	258.7	14.8	.62b	3.0	.....	9 mos.	09-86	72.7	- 8.1	2.1	- 57.1	.22	- 56.9	220.6	- 4.9	9.6	- 20.0	.97	- 21.1
USG Corp ..... N	41.00	- .75	- 1.8	42.75	40.63	46.50	26.88	16,585	2.61	2.14	22.0	11.6	1.12	2.7	NEW	fiscal	12-86	695.1	9.4	56.4	4.6	.93	13.4	2723.7	7.8	225.4	.7	3.54	5.4
Walter, Jim ..... N	53.00	1.63	3.2	55.00	51.13	55.00	35.50	9,984	3.15	1.51	108.6	11.4	1.40	2.6	.....	3 mos.	11-86	595.9	6.0	37.9	19.6	1.17	.9	595.9	6.0	37.9	19.6	1.17	.9
Waxman Ind ..... M	10.63	- .38	- 3.4	10.88	9.88	11.00	6.03	2,501	7.95	3.52	125.9	11.1	.08	.8	.....	3 mos.	09-86	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weyerhaeuser ..... N	47.50	.75	1.6	50.13	45.75	50.13	30.50	50,432	3.87	1.88	105.9	24.9	1.30	2.7	NEW	fiscal	12-86	1450.6	17.2	96.1	51.1	.70	62.8	5652.0	8.6	276.7	38.3	1.91	44.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National Home Center News®

Vol. 13, No. 5 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. March 9, 1987

RTA furniture, displayed in a home-like setting, forms one of several "quadrants" in 16 Lindsley Home Decorating Centers, stories about which begin on p. 86.

Dealers carve up $158 mil. in plywood suit settlement

By Milford Prewitt
NHCN staff editor

PHILADELPHIA — After 19 years, it's finally over.

Some 23,000 building material retailers and wholesalers have received $158 million in payments from an out-of-court settlement fund, established in an antitrust, class action suit against three major plywood manufacturers for price fixing.

Checks ranging from hundreds to millions of dollars were sent out Feb. 9, under the administration of the Philadelphia law office of Kohn, Savett, Marion & Graf, thus ending one of the longest class action suits in history.

"It doesn't get any longer than this," observed Wayne Thomas, one of the claimants' lawyers in Philadelphia.

Thomas said the largest payment was $6.5 million to Wickes Lumber, a figure that Les Hagen, president of Wickes Lumber, would neither confirm nor deny.

Several other firms received checks in excess of a million dollars as well. Among them was the Lowe's Companies, whose vp of finance Harry B. Underwood indicated that the firm received "several million dollars, but less than that Wickes amount." Underwood would not disclose the actual amount until the company's quarterly performance is released.

Attorney Thomas said there were more than 70 companies that received checks in excess of $250,000, but he noted that the majority of the checks were in the "four to five figure range."

Checks totaling $18 million have not yet been sent to another 7,000 companies that have not completed all the required paperwork.

The payments represent the final chapter in a lawsuit that began in 1968 when a

(Continued on page 189)

Parent's debt pinches cash flow at Diamond

By Gary S. Ruderman
NHCN staff editor

CARROLTON, Tex. — For the second time in as many years, Diamond Lumber has survived a credit pinch that resulted from the cash requirements of its parent company, Michigan General.

A Dec. 1, 1986, interest payment of $6 million by Michigan General to Manufacturers Hanover Bank in New York channeled money Diamond would normally be using for inventory purchases to servicing its parent's debt, according to Diamond president Harlon Seats.

In an attempt to reduce its

(Continued on page 190)

Palmer G. Lewis trims staff, selection to stay competitive

By Brad Altman
NHCN staff editor

AUBURN, Wash. — Palmer G. Lewis, the western building materials wholesaler, is trimming its product selection and the size of its staff at the same time it assimilates its recently acquired Western American Forest Products Co.

"We're trying to get into shape like our competitors already have," said chairman and ceo John N. Anderson.

The company, through

(Continued on page 189)

A native of Texas, Jim Ben Edens brings a background in lumber to his new post as president of Palmer G. Lewis Building Products division. NHCN photo

Scotty's plans move outside its home turf

By Phillip M. Perry
NHCN staff editor

WINTER HAVEN, Fla. — Scotty's has announced plans for its long-awaited foray beyond its traditional Florida boundaries and has reached an agreement for the previously announced sale of its manufacturing plant.

The company said it would build three stores in Mobile, Ala. They are scheduled to open between the first of July and mid-August if the weather cooperates.

Scotty's said it would also open a unit in Macon, Ga., in June or July. Another is scheduled for Savannah, Ga.,

(Continued on page 189)

Home center owners optimistic for '87 after early results

By an NHCN staff editor

NATIONAL REPORT — Let the good times roll.

That's the message emanating from most of the home center industry today. For the past six months, both consumer and contractor business has returned with fervor to many stores.

Some operators are surprised by the strength of their sales, given eroding consumer confidence. And in regions where sales have lagged, retailers say the economy dictates caution.

Still, while most home center chains have not yet announced year-end revenues and earnings, some interim reports provide reason for confidence.

January same-store sales increases came to 11% for Hechinger, 10% for Pay 'N Pak, 7% for Scotty's and 19.1% for National Hardgoods Distributors. Home Depot reported an 8% same-store sales increase for its quarter ended January.

"Our business momentum is good, and we are feeling good about the rest of the year," said John Hechinger Jr., president of Hechinger, Landover, Md.

Other companies reporting strong sales through the opening weeks of this year included Home Quarters Warehouse, Anderson Lumber, National Lumber, Wolohan Lumber, Westlake Ace Hardware, Stambaugh Thompson, Lloyd Home & Building Centers and Builderama.

With few exceptions, these

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INSIDE

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Ernst signs exclusive Mr. Build service pact 34

Broadway refines niche with second store 75

Lumber One showroom takes upscale upstairs 75

NEWSBREAKS

HOME DEPOT EYES CHATTANOOGA: The Atlanta-based chain is negotiating with Service Merchandise, Nashville, to purchase a former Mr. HOW Warehouse in the new market of Chattanooga, according to several sources close to the companies.

ACE TO PREMIER NEW LOGO: Ace Hardware Corp., Oak Brook, Ill., will premier its first systemwide logo change since 1928 at a dealers meeting April 30 in St. Louis. Private label changes are under consideration.

Home Depot's prototype store in El Cajon, Calif. NHCN photo

Builders Square faces off against Depot in Atlanta

By an NHCN staff editor

ATLANTA — Builders Square and Home Depot are maneuvering in preparation for their first battle here.

Builders Square is negotiating with Hooker Barnes, a real estate company, for a third warehouse home center to open in the northeastern section of this city, in the Carter Oak Crossing mall in Gwinnett County.

First challenge

Previously, Builders Square signed with Barnes for two warehouse home centers to open in the city, in the suburbs of Marietta, Georgia and Jonesboro, Georgia (*NHCN*, January 12).

Rentenbach Construction, Knoxville, said these first two stores should be ready for fixturing June 15, and are scheduled to open August. 1.

Sources close to the company said Builders Square was also planning to convert a K mart in Atlanta into a warehouse home center. Builders Square would not comment.

The moves represent the first time Home Depot, founder of the warehouse home center concept, has been challenged on its home turf by another warehouse operator.

Home Depot, which operates six stores in Atlanta, said it would open a seventh unit in Atlanta this year.

Depot has launched a drive to renovate all four of its older stores into units that more closely resemble its new prototype.

Expected to be completed by the spring, the renovations involve changing the aisles from side-to-side to front-to-back, installing new fixturing, and repositioning doubled-up registers into a single line.

Stripling Blake set to open its second unit

By an NHCN staff editor

AUSTIN, Tex. — Stripling Blake, the independent home center based here, is scheduled to open the second unit in its 46-year history March 11.

The 34,000-sq.-ft store is in southwest Austin, off Interstate 290, and represents a $4 million investment.

The store should help reduce the company's dependency on contractors.

Contractor sales now represent 80% of its business and dropped drastically with the Austin housing slump. As a result, total sales fell by 25% between 1984 and 1985 and by an additional 20% in 1986, said president Alec Beck.

The second unit is an opportunity for Stripling Blake to reverse the downward cycle and boost its DIY trade to at least 25% of its mix.

"With the new store open we hope to equal our 1986 sales," he said. Beck expects the new store to generate a minimum of $6 million in sales in 1987.

Beck reports a recent upswing in the local economy. However, the number of competitors recently increased with the arrival of Builders Square.

The San Antonio-based warehouse operation opened its first unit in northern Austin last month. It joins other home center companies including Handy Dan, with three units, Furrows, part of the Payless Cashways chain, with four stores and McCoys, the San Marcos, Tex. chain, which has five stores.

Stripling Blake remains confident that it can maintain its market niche and further its reputation for upscale builder and decorative hardware.

The new store will combine its strongest departments into one major section with its own service desk. Hardware, decorator items, fireplaces and millwork will be together. The area will be carpeted and feature displays of higher-end merchandise.

The store was designed by architect Gordon Bohmfalk of Austin.

It stocks over 35,000 sku's, and has the same product mix as the original store. However, it is more efficiently laid out and requires a staff of 45 compared with 150 employees at the other location.

The original location has outgrown its buildings and was forced to expand into storage buildings in May 1986. Here customers shop for plywood and lumber but without the benefit of air conditioning. In the new store, lumber and plywood is available on the main floor, and totally air-conditioned.

Stripling Blake will embark on a remodeling program for the orginal store in the next three months.

"We want the decor of the stores to match, so that the customer has the same feeling when walking into a Stripling Blake unit," said Beck.

In the new store, departments are clearly defined by different colors. Blue signs of hand saws carved out of styrofoam pull the customer into the tool department. The molding department is identified with beige, and the electricals department has a neon sign. The in-store signage was designed by Store Decor of Dallas.

The opening of the second unit will also strengthen Stripling Blake's position against Calcasieu Lumber, a builder-oriented company located in southeast Austin. Previously the independent was gaining trade from Stripling Blake's builder customer who chose to pick up small deliveries and items threre rather than travel back to Austin.

The company will still handle the bulk of builder deliveries from its original unit but the new store will handle small deliveries to local builders.

Highlights

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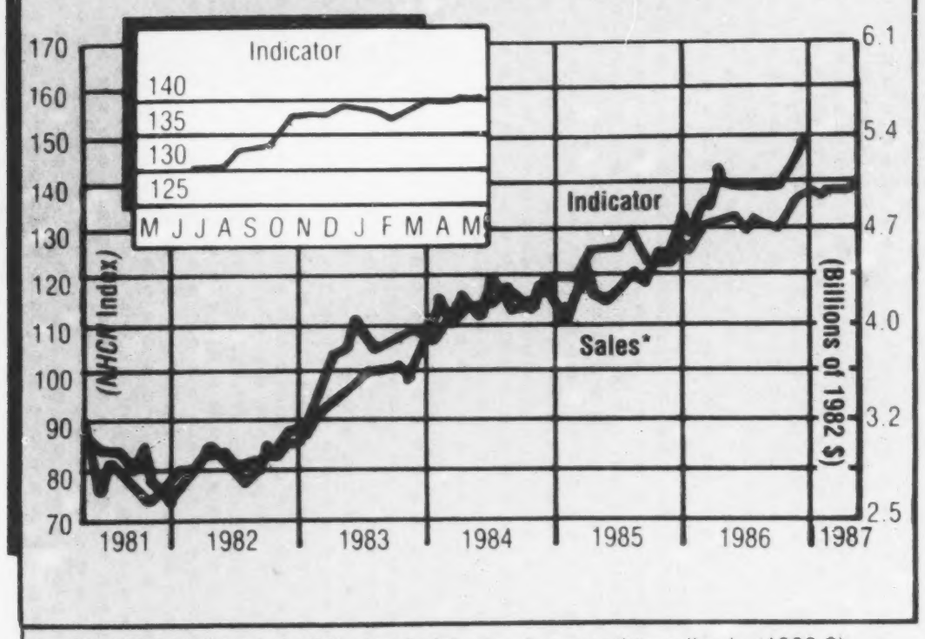
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986 (a record high), while single family housing starts will remain near 1.1 million units as interest rates decline.

Starts, home resales to sustain material sales increases in 1987

By Richard E. Mount
Special to NHCN

Our forecast of building material sales continues to call for an increase of 11% in 1987, or 6% in unit volume. While most of this advance is expected to come from the recent record upturn in resales, part of the gain will also be the result of housing starts, single units in particular. While total housing starts will slide from 1.8 million units in 1986 to 1.7 million in 1987, single units will remain strong, maintaining the demand for building material sales.

Housing Starts

Total housing starts remained strong in January at 1.8 million units, but this level will not persist in the months ahead. January weather was warmer than usual during the first two weeks, and housing starts in the Northeast and Midwest were higher than they would have been under average winter conditons.

Richard E. Mount

Starts are expected to run between 1.65 million and 1.7 million units during the four quarters of 1987, with the first half weaker than the second. Starts will be stronger in the first quarter than the second quarter, however, because of the strength in starts in January. The surge in building permits issued at the end of 1986 to beat an increase in permit prices in California will allow builders to quickly enter the market

(Continued on page 23)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1985	1986	1987
NHCN Leading Sales Indicator (January 1980 = 100)	**123.4**	**124.7**	**127.9**	**132.1**	**136.5**	**138.2**	**140.0**	**142.8**	**118.5**	**130.3**	**141.0**
General Economic Outlook											
GNP $1982 Billion	**3622.3**	**3,655.9**	**3,661.4**	**3,686.4**	**3,702.4**	**3,716.7**	**3,734.0**	**3,759.9**	**3,585.2**	**3,677.5**	**3,750.7**
Real Disposable Income $1982 Bil.	2,540.7	2,581.2	2,625.8	2,605.5	2,602.3	2,623.8	2,634.9	2,649.2	2,528.0	2,603.1	2,638.5
Housing Permits (000 SAAR)	1,741	1,834	1,822	1,678	1,695	1,625	1,610	1,650	1,733	1,762	1,640
Housing Starts (000 SAAR)	1,797	1,938	1,878	1,758	1,701	1,710	1,680	1,650	1,742	1,806	1,670
New Home Sales (000 SAAR)	696	800	796	687	712	715	715	735	688	749	729
Resales (000 SAAR)	3,500	3,257	3,470	3,617	3,963	3,550	3,500	3,475	3,214	3,565	3,488
Prime Rate %	9.5	9.4	8.6	7.9	7.5	7.4	7.3	7.3	9.9	8.4	7.3
Mortgage Rate % (HUD)	11.8	10.8	10.1	10.2	9.8	9.1	8.9	9.0	12.5	10.2	9.1
Consumer Price Index (1967 = 100)	326.5	327.7	326.3	328.4	330.7	333.8	337.0	340.6	322.1	328.3	339.0
Producer Price Index (1967 = 100)	296.4	292.0	288.0	288.3	290.7	292.9	296.0	299.3	293.9	289.8	297.7
New Housing Affordability 1980-100)	120.5	128.6	129.4	126.1	127.8	131.4	133.4	132.6	117.6	128.0	132.8
Residential Alterations and Repairs											
Current **Total $ millions SAAR**	**89,200**	**91,600**	**84,253**	**87,134**	**89,892**	**92,351**	**94,849**	**97,563**	**80,267**	**88,220**	**96,295**
Maintenance and Repair	39,000	36,700	36,493	37,537	38,599	39,331	40,075	40,917	35,358	37,332	40,524
Additions and Alterations	30,500	34,300	30,775	31,762	32,766	33,787	34,825	35,880	28,775	32,401	33,383
Major Replacements	19,600	20,600	16,985	17,634	18,527	19,232	19,950	20,768	16,134	18,487	20,388
Constant **Total Millions $1977 SAAR**	**55,213**	**55,013**	**50,100**	**51,300**	**52,400**	**53,300**	**54,200**	**55,200**	**47,824**	**52,203**	**54,738**
Maintenance and Repair	24,167	22,041	21,700	22,100	22,500	22,700	22,900	23,150	21,066	22,085	23,038
Additions and Alterations	18,900	20,600	18,300	18,700	19,100	19,500	19,900	20,300	17,150	19,175	20,113
Major Replacements	12,146	12,372	10,100	10,500	10,800	11,100	11,400	11,750	9,608	10,943	11,588
Retail Trade Activity											
Current **Total $ millions SAAR**	**1,388,316**	**1,404,932**	**1,421,400**	**1,478,632**	**1,464,476**	**1,476,907**	**1,501,555**	**1,524,331**	**1,373,941**	**1,442,360**	**1,511,711**
Total Minus Automobile	1,082,244	1,095,360	1,098,912	1,112,548	1,126,508	1,135,906	1,155,924	1,177,322	1,061,148	1,108,332	1,165,114
Building Material, Hardware, Garden Supply, Mobile Home	78,024	83,904	85,316	86,540	88,560	88,558	91,222	94,163	74,062	86,080	92,737
Building Material and Supply	56,976	61,180	62,580	62,956	63,444	65,641	67,753	70,172	53,841	62,540	69,259
Hardware	11,572	11,416	11,268	11,832	11,964	12,290	12,522	12,691	11,092	11,620	12,592
Constant **Total Millions $1982 SAAR**	**1,288,244**	**1,306,567**	**1,337,991**	**1,380,017**	**1,361,037**	**1,359,000**	**1,368,000**	**1,375,000**	**1,282,772**	**1,346,403**	**1,370,250**
Total Minus Automobile	1,009,867	1,027,361	1,048,913	1,054,219	1,061,742	1,060,000	1,068,000	1,077,000	997,299	1,048,059	1,071,000
Building Material, Hardware, Garden Supply, Mobile Home	73,605	78,763	82,347	82,367	82,535	81,716	83,341	85,176	70,215	81,503	84,277
Building Material and Supply	53,749	57,422	60,401	59,924	59,128	60,570	61,900	63,475	59,219	59,219	62,936
Hardware	10,918	10,717	10,876	11,262	11,150	11,340	11,440	11,480	10,507	11,001	11,445
Building Materials % of Total Less Automobile ($Current)	5.26	5.59	5.69	5.66	5.63	5.78	5.86	5.96	5.07	5.64	5.94

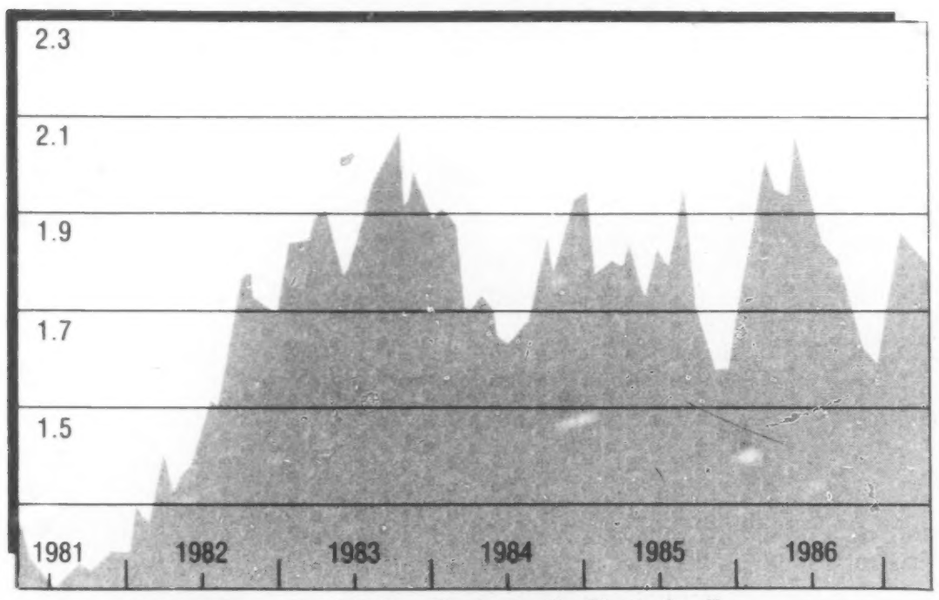
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
February 20, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

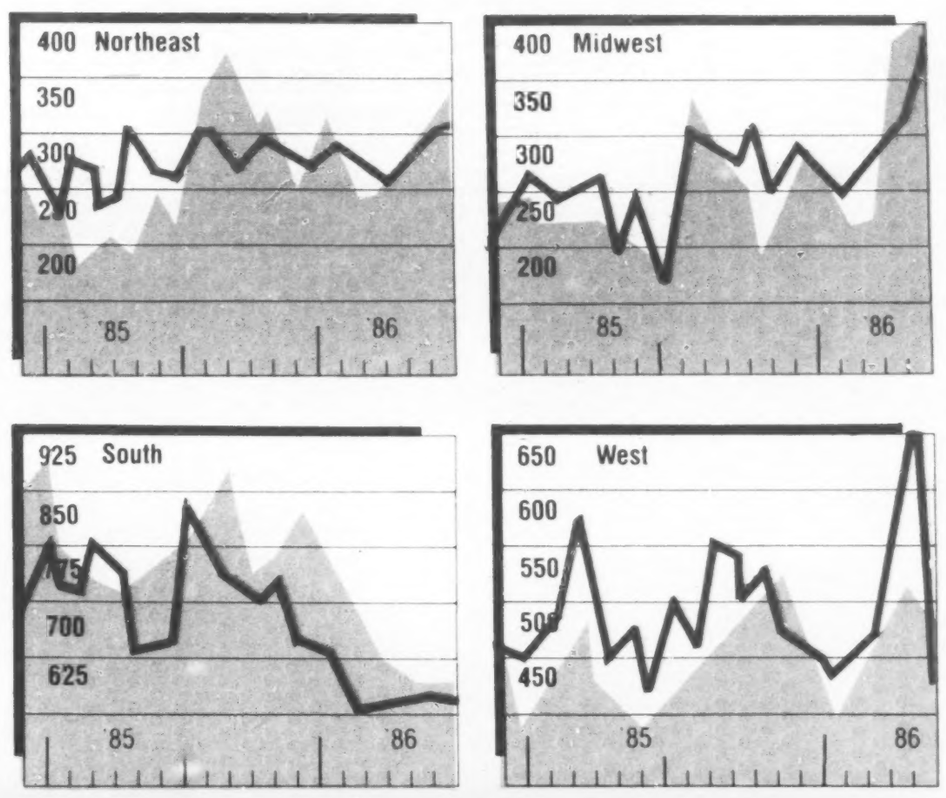


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
Jan. '87	1,806	1,689	1,255	1,093
Dec. '86	1,808	1,910	1,225	1,168
Jan. '86	2,004	1,861	1,302	1,060

Source: U.S. Commerce Department

Key: Permits, Starts

Regional housing starts and permits
(in thousands)



Western permit activity drops 38% in January

By an NHCN staff editor

NATIONAL REPORT — Permit activity declined a dramatic 38% in January in the West, according to the U.S. Commerce Department.

Much of the drop is attributed to a new California law state legislators are now working to repeal, said Dale Jacobson, survey statistician. He said the law, which became effective on Jan. 1, permits local school districts to charge up to $1.50 per square foot of house on all new housing permits.

Permit levels in the 14-state region should stay down at least for the next few months due to the newly enacted law unless something unusual occurs in other western states, said Jacobson.

Because of the imminent change, Californians scrambled to file new housing permits in December, causing activity in the West to soar to an annualized 712,000 units, he noted.

Regional Housing
(in thousands)

	Jan. '87 starts	% chg.	Jan. '87 permits	% chg.
Northeast	330	+7.5	307	n.c.
West	489	−4.0	442	−38
South	583	−2.0	569	− 1
Midwest	404	+2.0	371	+17

n.c. = no change
Source: U.S. Commerce Department

Nationally, housing permits—a barometer of future activity—declined 12% in January to 1.689 million units, off 9% from last January. Single-family permits fell 6% to 1.093 million units, 3% above the January 1986 pace.

U.S. housing starts were at a steady annualized pace of 1.8 million units, unchanged from December but down 10% from January 1986, the Commerce Department reported.

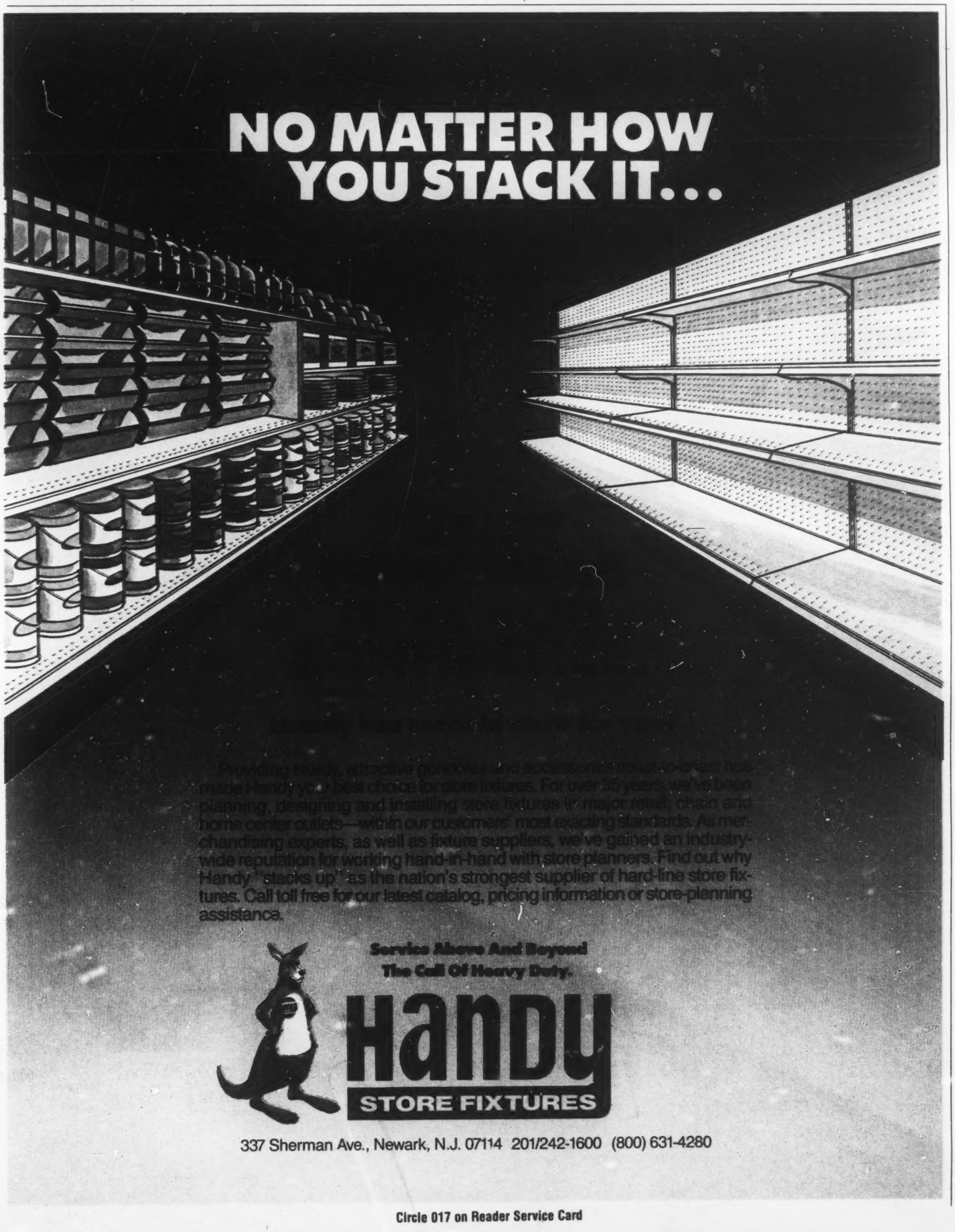
Single-family starts edged up 2% in January, to 1.255 million units, but were down 4% from January 1986.

Once again, the Northeast posted the largest monthly gain. Starts rose 7.5% to a seasonally adjusted 330,000 units, down 2% from its year-earlier pace. Permits were even with December in January but were 6% above January 1986.

Housing activity in the South continued its decline in January, falling 2% from December to 583,000 units, seasonally adjusted, down 34% from a year earlier. Permits were off 1% in January and down 26% from January 1986.

The Midwest posted the largest year-to-year gain, rising 37% above its January 1986 starts pace and up 2% from December, the Commerce Department reported.

Jacobson attributes the increase to two factors: a moderation of the severe winters of the late 1970's and early 1980's and the slow recovery from the recession of earlier this decade.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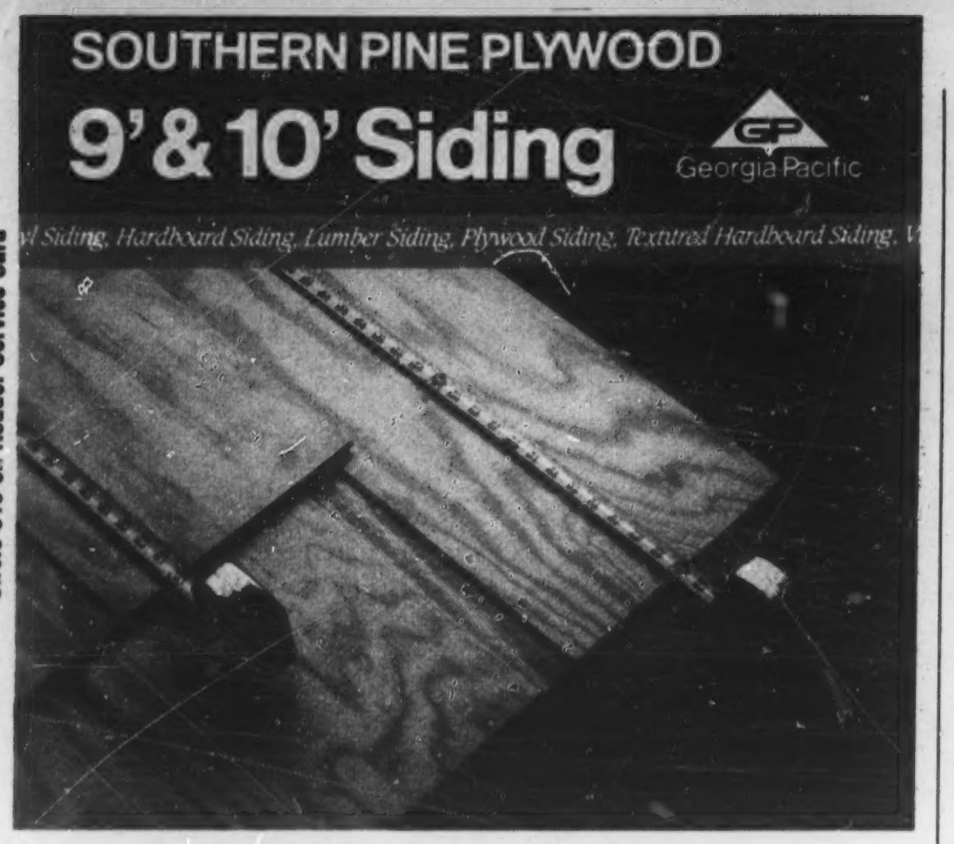
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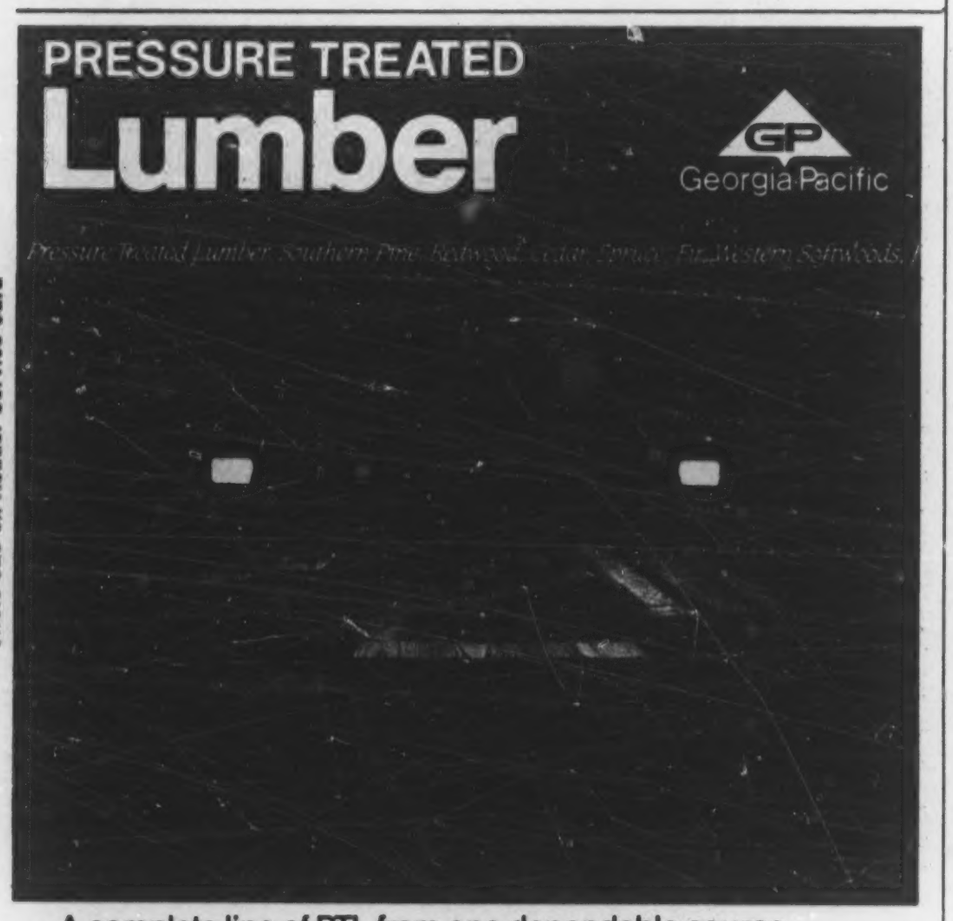

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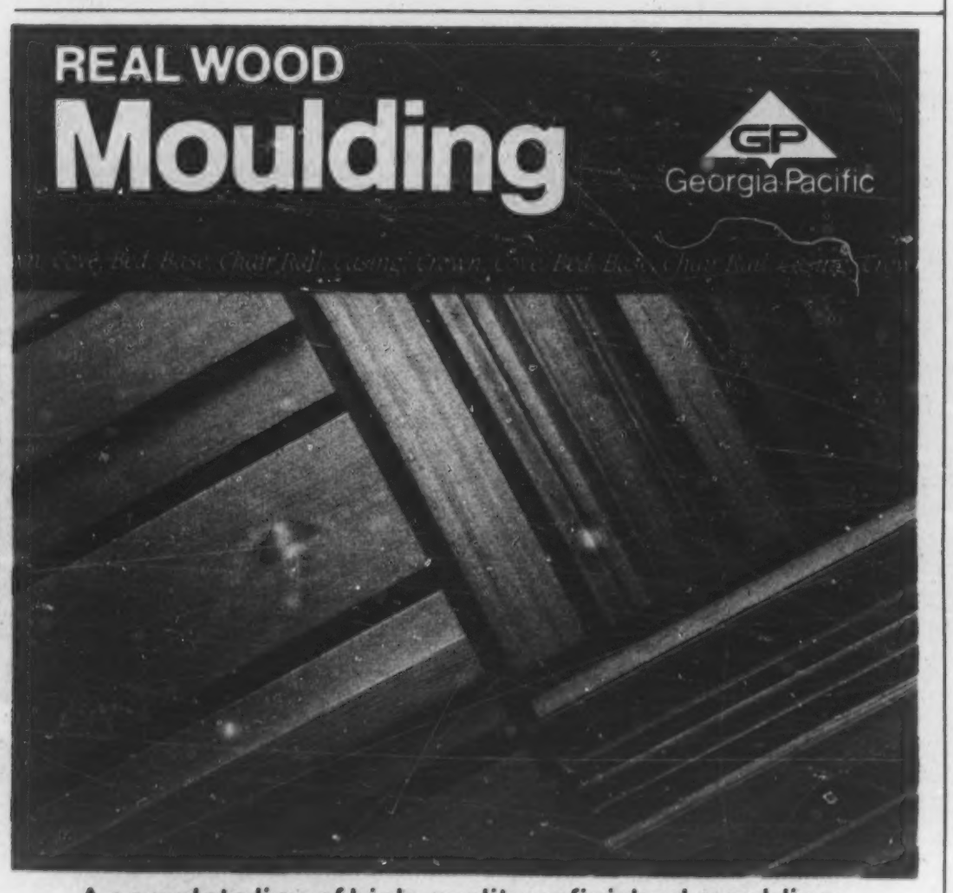

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LUMBER REPORT

Report: U.S.producers will bear brunt of Canadian export tax

By an NHCN staff editor

VANCOUVER, British Columbia — A new study by a woodworkers union argues that the 15% export tax on Canadian softwood lumber will not trigger the widespread economic disruptions forecasted and will not blunt demand for Canadian lumber.

Instead, says J. Douglas Smyth, research director of the International Woodworkers of America Canadian Regional Council who wrote the thick report, American producers will bear the brunt of the tax. Strapped with older and smaller mills, cramped by decreasing resource base, and saddled with higher operating costs, Smyth argues that the much sought tariff, and now export tax, just might backfire for American producers.

Smyth's report draws from a broad array of historical and economic trends from Department of Commerce studies, testimony from tariff hearings, production statistics from Canada and the U.S. and Census data.

The study argues that there is little evidence to support many of the doomsayer predictions that foretold massive industry unemployment, inflated housing costs and plummeting demand for Canadian.

To some industry expectations that some 17,000 to 20,000 Canadian sawmill jobs will be lost during 1987, Smyth contends that those estimates are exaggerated. He does foresee the loss of some 1,000 mill jobs as plants modernize and add on new technology.

"Studies show that Canadian sawmills are generally much larger, newer and far more efficient than the average U.S. lumber operation," Smyth wrote. "The I.W.A. showed [during tariff negotiations last year] that a high level of manufacturing efficiency, particularly in the British Columbia interior, was a major contributing factor to the growing Canadian share of the U.S. lumber market during the 1980's.

"The competitive advantages which permitted Canadian mills to survive the depressed markets of the 1980's will continue to assist the industry to cope with the 15% export levy."

The pessimistic projections that called for Canadian mills to go belly up failed to factor in the higher operating costs of U.S. sawmills, the study points out.

Due to manufacturing improvements that aided productivity in the early 80's, British Columbian millworkers had a higher output per hour, allowing Canadian production to remain competitive even in the South. By 1984, the study reports, total unit production costs in British Columbia remained below the average in the South, a condition that persists despite the 15% export tax.

Aggregate costs, the total cost of employee compensation, which are measured in dollars per hour per thousand board feet of lumber produced, favor the higher efficiency Canadian mills.

During the 1980's when demand for lumber soared from vigorous American housing starts, the British Columbian mills were able to spread the impact of high aggregate dollars over larger production volumes, Smyth wrote. This permitted the Canadian companies to achieve substantial savings in dollars per thousand board feet to the extent that the conversion costs—the monetary value of lumber once it crossed the border—was $148 per thousand board feet, $20 less than the average sawmill in the southern states.

But even more, Canadian lumber producers will still enjoy a 38% currency advantage—nearly twice the export tax assessment–and that relationship is not expected to change anytime in the near future, Smyth reported.

[Since the release of the I.W.A.'s report, the enviable currency relationship Smyth outlined has not necessarily been realized. Since hitting a low of 69 cents last February, the Canadian dollar has risen to around 75 cents (U.S.). This has reduced the return Canadian manufacturers get on sales to the U.S., which are made in U.S. dollars.

Additionally, *Random Lengths*, the industry's trading newsletter, found that a sale of lumber in U.S. dollars for 200 a board foot a year ago would have returned about $286 to the mill.

But with the rise in the value of the Canadian dollar and the continued plummet of the U.S. dollar, the newsletter reports that a $200 sale has slipped more than 6% to about $267 a thousand board feet. If the full 15% export tax is subtracted, the actual current return is more like $227. This means that the U.S. market loses its luster to Canadian producers and raises the price at which Canadians begin to lose money on U.S. sales when the market is soft.]

With both Canadian and American currencies in decline in relation to other currencies, Smyth argued the overseas export market looms as an appetizing market for North American producers.

"The export tax applies only to lumber shipments to the United States and will not affect sales to offshore markets," Smyth wrote.

Given the increasing square footage size of new homes, the opportunities for overseas penetration, and what may be a second baby boom generation entering the market in the early 1990's, Smyth argues that Canadian sawmills may actually need more workers rather than the reverse.

"Even in the unlikely event that lumber demand in the North American market should decline during 1987, the cost factors discussed above will permit the B.C. Interior industry to remain competitive," Smyth said. "Unit production costs faced by a substantial number of U.S. sawmills are still much higher than they are in Canada.

"Even a full 15% shift in duty costs to Canadian producers will be insufficient to make those U.S. mills competitive. And if the U.S. consumer absorbs between 5% and 10% of the 15% levy, the net disadvantage to the Canadian industry will be even less."

American firms hit harder

In the event of a cyclical downturn in the lumber industry, the union's document expects it will hit American firms far more than it will the Canadians. While less efficient Canadian sawmills may be caught in a profit squeeze, the union envisions that a much larger number of U.S. sawmills will also be put at risk.

"In the first place, unit production costs are generally much higher in the U.S.," Smyth wrote. "And secondly, both the U.S. Pacific Northwest and southern regions face severe shortages of timber during the next 10 years.

"Even if the Canadian industry were forced to absorb the full impact of the export levy," Smyth wrote, "it is doubtful that 15% will be sufficient to guarantee the survival of a substantial number of U.S. sawmills."

The timber shortages the report alludes to stem from a number of federally imposed and market prerogatives that have reduced the amount of standing timber acreage from commercial exploitation. Constraints on further production in the U.S., particularly in the Pacific Northwest, is a result of the timber contract relief bill that allows the forest producers to relinquish overpriced stumpage contracts on public lands. But the law also places strict caps on annual timber sales that may be under contract any time.

This means that if large volumes under contract are not returned to the government under the relief plan, the forest service will not auction off any of the affected timber.

Another development that threatens to remove sizeable acreage from production is the increasing tendency of private nonindustrial landowners to reforest in the southern and eastern U.S.

Although timber production had increased rapidly in the South during the 1970's, the Canadian report charges that southern landowners are undependable sources of supply and do not engage in intensive forest management practices.

Moreover, the report quoted the lamentations of the International Paper Company (IP)—the second largest timber-holding company—which buys 70% of its timber supplies from private landowners.

NAHB STUDY PROFILES THE REMODELER

By an NHCN staff editor

WASHINGTON — A new survey of remodelers found that nearly 30% are purchasing their building materials from home center outlets.

While this number may pale compared with the 9 out of 10 remodelers picking up commodities from a "building supply dealer," it points up the amount of contractor sales home centers are capturing and, potentially, what they may be missing.

This survey, conducted last year by the National Association of Home Builders (NAHB) and based on preliminary data from 650 interviews, also found 1 in 10 builders acknowledging that homeowners are completing anywhere from 11% to 25% of a remodeling project themselves and are actively involved in choosing which items are bought for the project and where. This could account for the amount of sales being rung up by home centers.

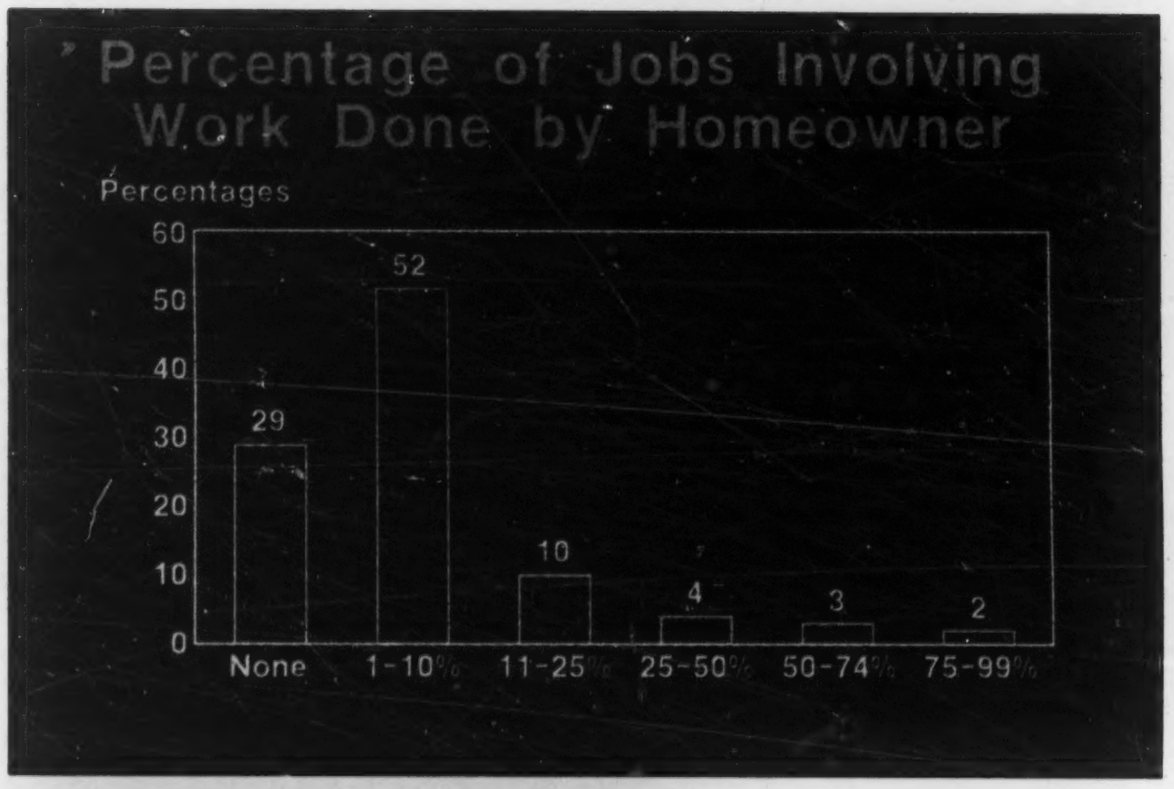
The study also provides a look at who the remodeler—an illusive entity for many retailers—is in terms of age, company ownership, education and employees.

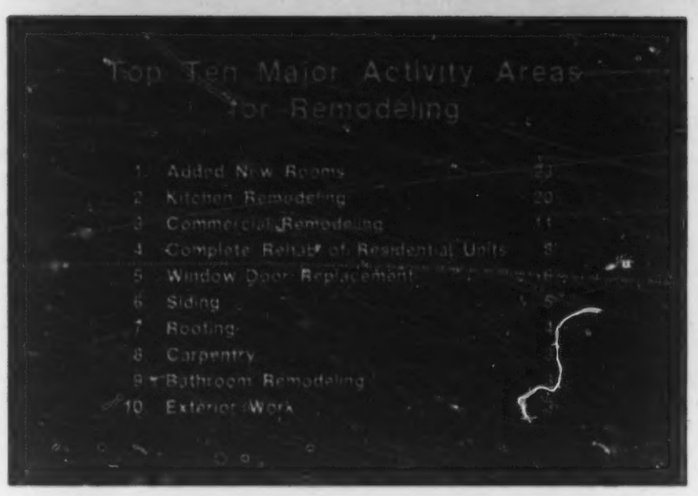
It tracks what types of remodeling these builders are doing; where these products are purchased; what problems remodelers encountered last year; and how sales look in 1987.

Continued growth seen

In total, the study gives a fairly complete picture of builders participating in a business that is expected to increase about 5% this year to $90 billion. "As household growth slows, the need to build new houses [also] slows, but remodeling is a continued strength," noted William Apgar of the Joint Center for Housing Studies of the Massachusetts Institute of Technology and Harvard University, who spoke at a seminar during the NAHB show last month.

Apgar also said that 50% to 60% more money is spent remodeling homes by consumers who have resided in the house for four years or less than by families with longer histories in that dwelling. Consequently, he expects the repair and remodeling sector to grow even further because of the wave of move-up home buyers.





Room additions were leading remodeling project done by builders surveyed by the NAHB, followed by kitchen remodeling. About half of the builders said homeowners do up to 10% of the project, with another 10% claiming the homeowner will do up to 25% of the job.

The explosion in remodeling activity is clearly manifested by the fact that about 40% of the NAHB's 145,000 builder-members report they did remodeling jobs last year, compared to only 1 in 10 several years ago, according to Gopal Ahluwalia, the association's assistant staff vp and director of research.

It's little wonder why contractors have expanded their businesses into remodeling: The average remodeling job, according to NAHB research, is $11,000; a bathroom costs an average of $13,000; a room addition, $20,000; a second-story addition, $32,000.

(Material costs account for nearly 40% of a typical remodeling project, according to the builders' survey, with labor costs making up 36% and "overhead and profit," one-quarter of the job's price tag.)

Those in the business expressed a high level of enthusiasm about its prospects: More than three out of five builders polled expected remodeling activity to increase for their companies this year, compared to 1986. More specifically, where only 17% of the businesses of those polled did between $500,000 to $1 million last year, that number is expected to grow to 22% of the same total this year. The percentage of those in the $1 million to $2 million sales range is projected to expand to 12% of the total from 10%. And, more significantly, the number of contractors doing from under $100,000 to $249,000 is expected to decline.

Younger and better-educated

But who is the "typical" remodeler? The NAHB survey found that one-third of those builders polled last year were between the ages of 35 and 44, with an equal number—around 25%—between 25 and 34 or 55 to 64. Nearly half are principal owners of their businesses and 55% are incorporated.

Those builders who have done remodeling work for 6 to 10 years and more than 20 years each comprised a quarter of the survey's total. Another 25% were builders engaged in remodeling work for between 2 and 5 years. This latter group could be left in the lurch by a program currently being developed by the National Association of the Remodeling Industry that would certify only those builders with at least seven-years' remodeling experience.

One in three remodelers has some level of college education and more than 3 in 10 have graduated from college. Another 11% have advanced degrees.

About 60% of those polled said they don't have any members of their families as paid employees of their companies. But one-third employ their spouses in bookkeeping, secretarial and even office manager positions.

When asked how they drum up new business, more than 8 in 10 builders said they get new jobs from customer referrals; 70% said business referrals brought them additional business; and half said that the yellow pages and outdoor job signs worked to produce more project sales. On the contrary, phone solicitation was seen as an instrument for developing new business by only 4% of those polled.

With respect to this aspect of their business, it appears that builders don't see outside salespeople as much help: More than 70% don't even employ salespeople, and more than half that do have no sales training.

Fifty-five percent of the builders polled by the NAHB identified themselves as general contractors, while another 20% said they were "single line" specialty remodelers.

Room remodeling tops list

Ahluwalia, in presenting this data at NAHB's convention in Dallas, noted that 41% of the survey's respondents claimed to be in kitchen or bath remodeling. And kitchen remodeling ranked second among the top-10 remodeling activities done by contractors, with 20% claiming it as their main line of business. The top job last year was room additions, with 23% of those polled stating that as a major remodeling activity for their firms. Another 11% cited commercial remodeling, and 8% said residential rehabilitation.

Surprisingly, only 3% said bath remodeling was a major activity, and a relatively low 6% identified window and door replacement. (This last sta-

(Continued on page 33)

Home center remodeler market grows

By an NHCN staff editor

NATIONAL REPORT — Home centers appear to be playing a much greater role in the remodeling market. Home centers were the places where 27% of the builders said they went to purchase at least some of the building materials they used for remodeling jobs, a remarkably high percentage given the DIY and cash-and-carry nature of these stores.

Nearly 90% of the builders said they bought product at a building supply dealer; another three-quarters went through a wholesaler; and 40% bought direct from manufacturers.

Job-site delivery, telephone ordering, quick delivery from warehouses and offering a line of credit were identified as those services more than 90% of the surveyed builders thought were "somewhat" to "very" important in deciding on a materials supplier. Having a retail showroom and maintaining direct contact with manufacturers were other services more than 7 in 10 builders looked for.

The ability of a materials supplier to provide equipment rental, product estimating computer-aided designing was not deemed all that important for builders' supply choices.

And when it came to selecting merchandise, builders, in nearly equal measure, ranked quality, price, availability, appearance, customer preference and the supplier's backup service as factors they weighed.

Perspectives

cover story

(Continued from page 32)
tistic is intriguing, given the fact that millwork installation is not a job that most builders will subcontract, at least according to the survey's respondents.)

The survey asked contractors about who was actually doing the remodeling work in 22 different projects from roofing to excavation, bricklaying to painting. It found that more than 7 out of 10 builders used their own crews when it came to building a deck, installing a window or door and just about any kind of carpentry work. More than half employed their own work crews for the installation of exterior siding, kitchen cabinets and countertops.

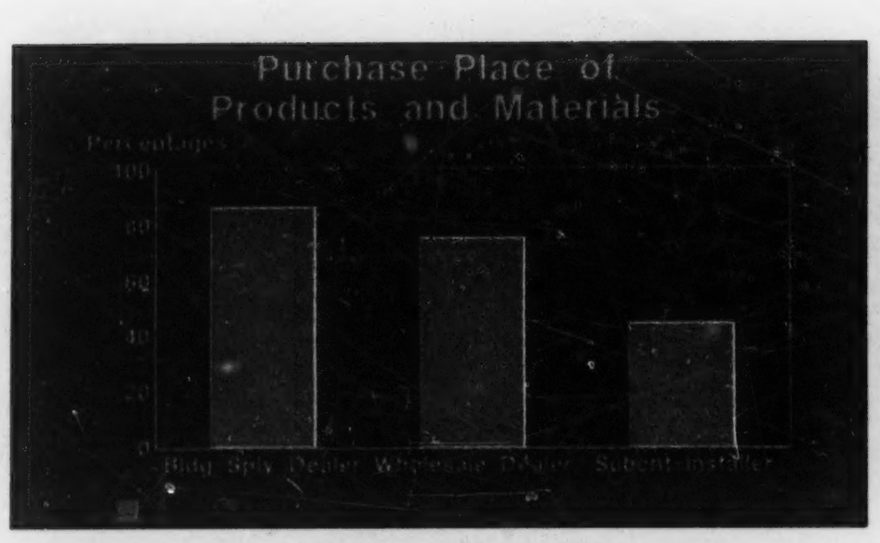
But subcontractors were brought in by around 80% of the builders polled for such remodeling projects involving concrete foundation; brick and masonry; plumbing, heating and cooling; and carpeting. More than half used subs for jobs like putting up gutters and installing ceramic tiles, while 40% called in subs when drywall plastering was required.

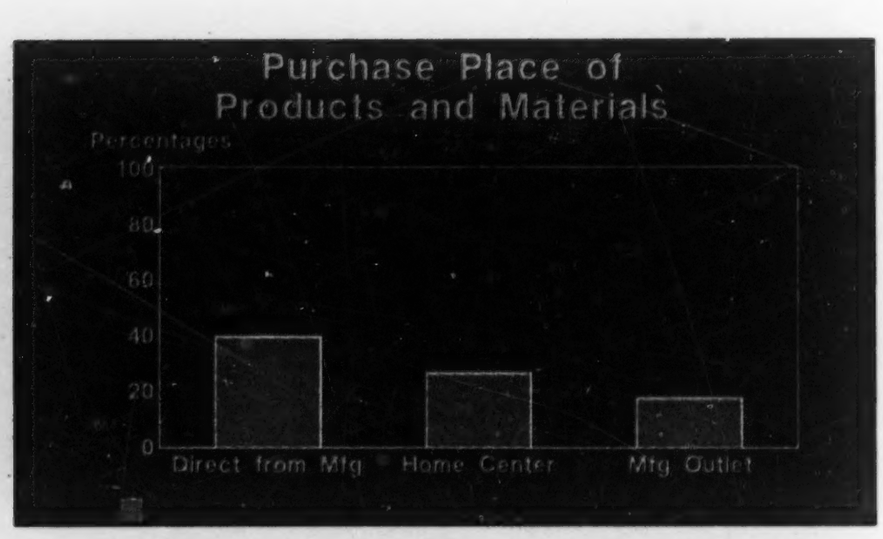
Remodeling jobs where about one-quarter of the builders said their crews and subcontractors were more likely to work together were roofing, excavation and grading, installing wood and vinyl floors and painting.

Sixty percent of those polled said they offered a written warranty for a job completed, and among those, about three-quarters said the guarantee was for one year; 16% offered warranties lasting three years or more.

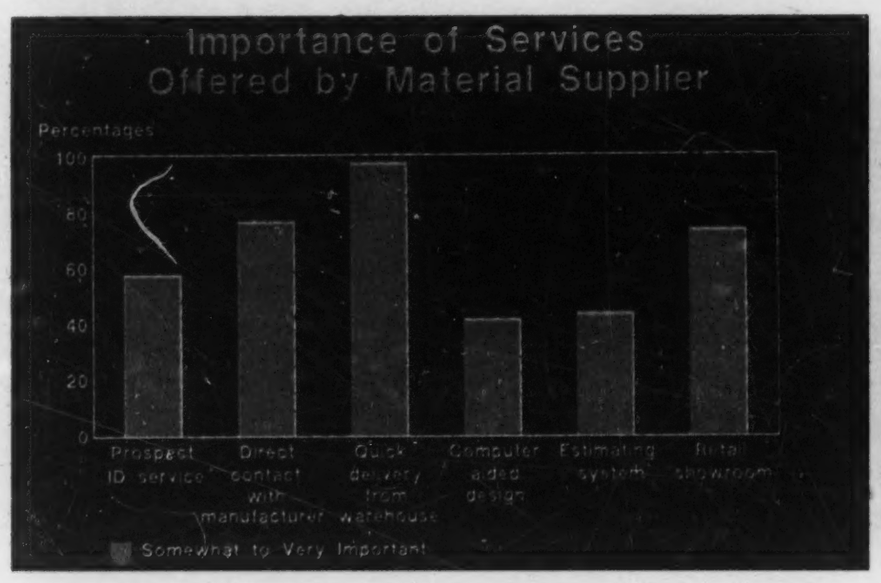
More than half of the builders said that the homeowner winds up doing between 1% and 10% of the remodeling work; another 10% said that the homeowner completes up to a quarter of the job.

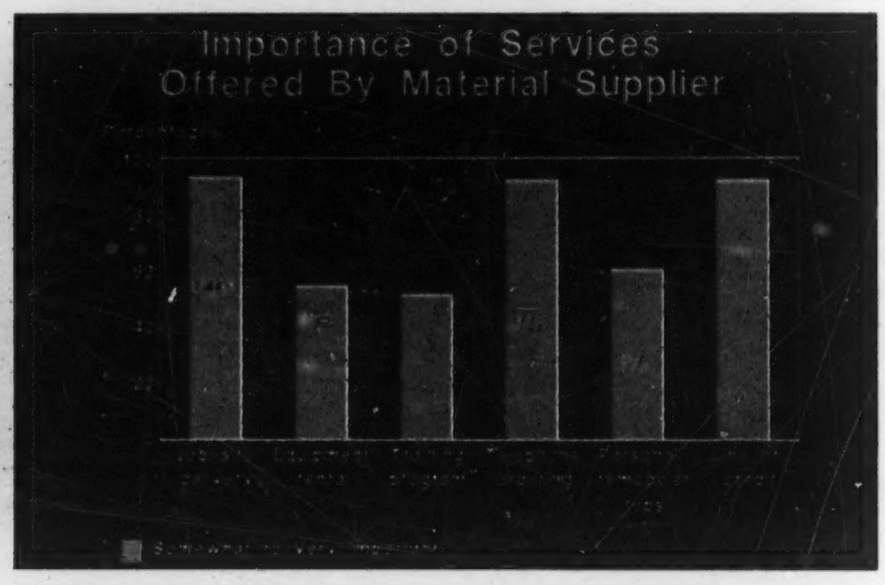
In fact, consumers appear to be remarkably involved in completion of the remodeling job, especially when it comes to selecting which products are bought and, indirectly, where they are purchased.





Home centers were where about 30% of builders surveyed said they bought building products for remodeling jobs. But more than 8 in 10 continue to purchase through building supply dealers, and more than 70% go through wholesalers. Around 40% said they buy directly from manufacturers.





Quick delivery, telephone ordering and the availability of credit ranked highest among the various "services" builders look for when deciding on a supplier.

The NAHB survey found that 43% of the builders polled said that their customers' influence over product selection was "complete," with another 57% stating that homeowners had "some" influence on the commodities purchases for the remodeling job.

Contrast these findings with the 45% of the contractors who said they made all the decisions about what was bought for the job themselves and the 50% who have input but may not make the final decision. Less than one-fifth of the remodeling contractors said that architects claimed total control over product selection, and only 10% of the builders said the dealer was the major influence. (The numbers overlap in this category because multiple answers were allowed.)

Lastly, builders were asked about what problems plagued their businesses in 1985-86, and it turns out the biggest headache remodelers now face is finding skilled labor. More than three-quarters of those polled named this as a problem, and nearly 2 in 5 said it was one of their three most pressing difficulties.

Low bidding by competitors was also seen as a major problem by more than76%, while more than 70% named rising liabilities costs as an obstacle to their profitability.

Material and labor costs, government regulations, product availability, even customer relations, were viewed by most builders as less trying aspects to being a remodeler.

Home center retailers pursue the elusive remodeler

(Continued from page 31)
"We do know, though, that there are all kinds of remodelers out there, including the guy who may be a fireman by day and a remodeler by night," he continued. "Each of these customers has different service requirements."

Lowe's addresses its remodeler trade by making sure its service offerings —telephone ordering, pro sales help, low pricing—are intact and that a good portion of its ROP ads are dedicated to showing building materials remodelers will use. "We also don't want to deal with this guy through the front door, but through our contractor sales desk whenever possible," Phillips said.

The 85-year-old Foxworth-Galbraith is used to cycles where remodeling and home building merge because of economic conditions, so its stores are geared towards attracting those customers with services like quick jobsite delivery. "We can also offer the remodeler advice," noted Mayer. "Most of our stores' salesmen are old timers, and the remodeler can practically turn the job over to them and be certain he's going to get what he needs for the work in his order."

Lloyd's, the Danbury, Conn.-based company, takes the more unscientific approach to keeping tabs on remodelers. "Most of these guys are buying on price, so they are hard to define," said Stuart Raynor, director of pro sales for the 35-store chain. "But we're trying to watch how much customers buy and what they're driving away in. And when we see these guys often enough, we'll try to make them house accounts, especially if they have good credit."

Like Lowe's, Lloyd's and Anderson Lumber have found that promoting projects through advertising is perhaps the best way to let remodelers know their stores have what they need, even if tracking their sales is untenable. "When the winter hits up here, builders almost automatically become remodelers, and about the best you can do is advertise the type of products remodelers will use," said Anderson, the Utah chain's store manager.

Through in-store salesmanship and cross merchandising, "We're trying to get the repair and remodeling guy to go for the deck when he's doing a room addition," said Raynor, Lloyd's pro sales vp. "We'll also have our people bring him over to our professional power tool line to upgrade him."

In the whole scheme of things, remodelers may account for a relatively small part of any chain's total sales. But remodeling is expected to be a $90 billion business this year, and home centers obviously feel that it's worth the effort to get a bigger share of that pie. "There's a natural association between the builder and remodeler," said Phillips, whose stores get 48% of their volume from professionals. "And if there's a move in the industry towards more remodeling, I think that would be wonderful for us."

"You have to go after all the business you can," added Raynor of Lloyd's, "because the little [remodeling] guys could wind up being the big guys in the future."

HOUSING

Economists predict moderate housing year

By Laura Liebeck
NHCN staff editor

NATIONAL REPORT — This will be a moderate year for housing, several leading economists and housing experts have proclaimed.

New housing starts will total about 1.6 million units this year, down 12% from 1986; mortgage rates will drop to about 9% in the first half before turning back up; and the mortgage money supply will be plentiful, they said.

But the regional differences—the strong market of the Northeast and California and the weaknesses of the farm and energy belt—will continue their 1986 pattern. And housing will operate in an environment of a relatively weak economy. The nation's Gross National Product will remain weak, rising 2.5% to 3% this year and inflation will continue to be low.

"We're in a kind of lull," observed James Fischer, president of the National Association of Home Builders (NAHB) and a Nashville builder and land developer. "We'll have a decent 1987. It'll be a good year."

Predictions on housing and economic activity were made during the NAHB's annual convention in Dallas in January.

The lull in activity, some experts say, is due to uncertainty over the effects of tax reform and the federal budget and trade deficits. In the short-term, at least, all three will have a negative effect on housing.

"The economy can't count on residential construction for stimulus" this year, said Lyle Gramley, senior vp and chief economist of the Mortgage Bankers Association.

So far, single-family housing starts are projected to be about 1.1 million units, down slightly from the nearly 1.2 million units recorded in 1986. Some experts feel that these starts could be overstated since the tax benefits afforded owner-occupants will be less valuable under the new tax plan.

Although the deduction is preserved under the 1986 tax law, the lower marginal tax rates make the deduction less valuable to consumers, possibly causing some buyers to take a wait-and-see attitude to a new purchase. On the other hand, activity could be strong since mortgage interest and real estate taxes for first and second homes will be one of the only deductible investments preserved in the new law.

The real problem area for the housing industry will be in the multifamily housing sector, especially in rental housing. Starts in this sector are expected to drop to about 480,000 units, 150,000 fewer starts than in 1986. The decline here is also due to changes in the tax law that cut schedules for depreciation and alter the capital gains laws, among other reasons. Rent increases are expected.

David Seiders, chief economist at the NAHB, said he is advising builders to be cautious this year.

He is suggesting that builders pick their markets carefully and pay special attention to communities developing far outside the cities and their immediate suburbs.

Seiders is also advising builders to continue diversifying their operations, especially into remodeling, so they minimize their exposure to the housing cycles.

He noted that builders may even move around more than usual this year, looking for communities in which to build.

But even with the changes in the tax law and the fact that the regional differences of 1986 will still be around this year, mortgage loan money will be readily available and at relatively low rates.

Most experts are projecting that 30-year fixed-rate mortgages will fall below 9½% during the first half of the year. Some, like Michael Lea, chief economist with Freddie Mac (Federal Home Loan Mortgage Corp.), and Donald Ratajczak, director of the Economic Forecasting Project at Georgia State University in Atlanta, expect rates to fall below 9% in the first half. Ratajczak is predicting rates will hit the 8.5% level at mid-year.

Both men said a major refinancing boom wouldn't occur unless rates fall below 8.5%. But if rates do indeed fall to about 8.5%, Ratajczak said,"We could have a mini-refinancing bubble."

Lea, and Leland Brendsel, acting president and ceo of Freddie Mac, feel adjustable rate mortgages (ARMs) will become more appealing this year as those rates drop to below 7%. This year, Lea said, ARMs should total one-third of all loan originations, up from 25% in 1986.

Last year, mortgage lending totaled a record $400 billion—two-thirds, or about $250 billion of which, was from the secondary mortgage market. A great deal of the loans were refinancings, Lea said. With low mortgage rates expected to continue, lending should remain within 20% to 25% of that record or $320 billion to $330 billion this year, a return to normal levels, he added.

Freddie Mac also set record lending levels last year, said Brendsel. It purchased 19% of all conventional loans originated in 1986, for a purchase volume of $103 billion, more than double the $44 billion it purchased in 1985. This volume translates into 1.7 million loans last year.

This year, Brendsel said, Freddie Mac should originate $75 billion in new loans.

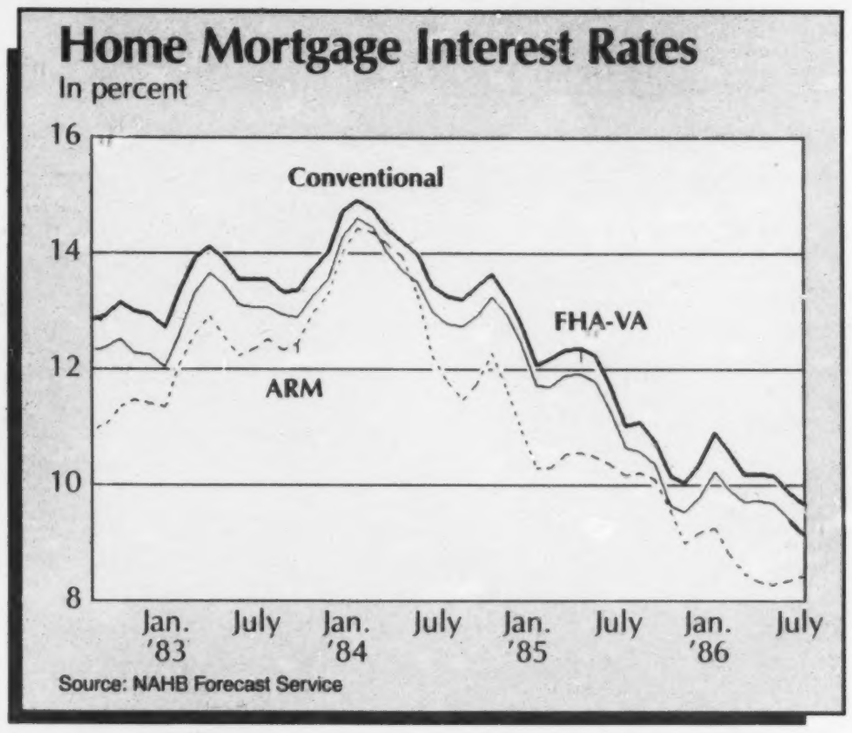
Fannie Mae (Federal National Mortgage Association) also had a banner year last year, recording a total business volume of $91 billion, or 1.3 million loans to American home buyers, said Frank V. Cahouet, president and coo.

This year, housing activity will be good, "but not as robust in starts or in refinancing," said Cahouet.

Joe Morris, chairman of the U.S. League of Savings Institutions, said he expects 1987 loan totals to be at the 1986 level, over $250 billion, which was a record year. Activity will be up slightly during the first half, due to low mortgage rates, and then level off at the end of the year.

Mortgage rates dropped about 200 basis points in 1986, from an effective rate of 12.01% in December 1985 to 10% in December 1986, according to the Federal Home Loan Bank Board's December 1986 report on rates. Adjustable rate mortgages fell from an effective rate of 10.48% in December 1985 to 8.887% during the final month of last year.

Fixed-rate mortgages are already below 10% and approaching the 9½% level.



Housing starts have increased as mortgage rates have dropped. This year, however, starts are expected to be off, although the rate for a 30-year, fixed-rate mortgage could fall to 8.5% by July, some economists predict.

Housing Starts 1983-1987

In thousands of units

	1983	1984	1985	1986	1987	Percent Change 1985/86	Percent Change 1986/87
U.S. Total	**1,703**	**1,750**	**1,742**	**1,810**	**1,601**	**3.9**	**−11.5**
Single Family	1,068	1,084	1,072	1,180	1,123	10.1	− 4.8
Multifamily	636	666	670	630	478	− 6.0	−24.1
Northeast	**168**	**204**	**252**	**299**	**270**	**18.7**	**− 9.7**
Single Family	123	158	182	238	220	30.8	− 7.6
Multifamily	45	46	70	61	50	−12.9	−18.0
Midwest	**218**	**243**	**240**	**300**	**257**	**25.0**	**−14.3**
Single Family	153	167	148	182	163	23.0	−10.4
Multifamily	65	76	92	118	94	28.3	−20.3
South	**935**	**866**	**782**	**730**	**623**	**− 6.6**	**−14.7**
Single Family	557	528	504	498	460	− 1.2	− 7.6
Multifamily	378	338	278	232	163	−16.5	−29.7
West	**382**	**436**	**468**	**481**	**451**	**2.8**	**− 6.2**
Single Family	234	230	239	262	280	9.6	6.9
Multifamily	148	206	229	219	171	− 4.4	−21.9

Source: Bureau of the Census; NAHB Forecast Service

Regional housing disparities to continue through '87

By an NHCN staff editor

DALLAS — The regional disparities of 1986 will continue this year, according to several housing experts.

The strength of New England, the Mid-Atlantic states, California and Florida will persist through this year. Oregon and Washington State will fare well due to forest production, but the difficulties of the farm belt and energy producing states are likely to continue.

In fact, David Seiders, chief economist with the National Association of Home Builders (NAHB), said the problems in the farm sector could even "get worse."

Michael Carliner, staff vp-economics and housing policy with the NAHB, added that he sees "no turnaround for the energy producing states," noting that jobs drive migration.

This year, said Carliner, South Carolina, Ohio, Tennessee, New Jersey, Indiana, Pennsylvania and Wisconsin will show accelerated employment growth, while Texas, Louisiana, Oklahoma, Arkansas, Mississippi, Montana and Wyoming will experience employment declines and probably housing declines, as well.

As far as the metro markets are concerned, Seiders added, no "major or appreciable employment changes" are anticipated.

Nationally, total housing starts will fall 11.5% from 1.81 to 1.6 million units, after rising 3.9% from 1985.

These forecasts were released during the annual convention of the NAHB in Dallas in January.

During that convention, Seiders released a "Housing and Economic Outlook" report that included a housing starts forecast for 1987 that shows both single-family and multifamily housing starts declining everywhere but in the West.

In the West, single-family starts will rise 6.9% to 280,000 units. Multifamily starts in the West, however, should decline by 21.9%, Seiders said.

Nationally, total housing starts will fall 11.5% from 1.81 to 1.6 million units, after rising 3.9% from 1985. Single-family starts will decline 4.8% to 1.123 million units and multifamily construction will fall 24.1% to 478,000 units, Seiders predicts.

The explosive starts behavior of the Northeast will cool this year but still remain strong. Overall, housing activi-

(Continued on page 157)

WASHINGTON REPORT: Construction Outlook

Value of new construction put in place (bil. $)	244.4	279.2	327.2	355.6	375.0	—
Value of new construction put in place (bil. 1982 $)	244.4	272.0	300.0	324.9	340.6	343.2
Number of private housing units (000)	1,062	1,703	1,750	1,742	1,850	1,850
Composite construction cost index (1982=100)	100.0	102.7	106.3	109.4	113.0	—
Producer price index for all construction materials (1982=100)	100.0	103.4	106.5	107.6	107.6	—

NOTE: Data on new construction put in place does not include maintenance and repair work.
[1]Estimated
[2]Forecast

Construction activity to hit all-time highs this year

By Amie Snider
Special to NHCN

WASHINGTON — U.S. new construction activity will reach an all-time record in 1987, with virtually all the gains coming in single-family housing and home improvement, according to Commerce Department economists.

Total construction activity, as measured by the value of completed projects, reached an estimated $375 billion last year and is expected to climb 0.8% plus inflation this year, according to the economists.

If this prediction is on target, then the value of construction shipments will increase 40% (in real dollars) from 1982 to 1987 (not counting inflation).

Although the government economists acknowledged that last year's tax reform legislation has had a dampening effect on new construction, they predicted that, over the long run, the tax changes will encourage home building.

"For the most part, the initial depressing effects of tax reform will be absorbed chiefly during the next two or three years, while the stimulative effects will steadily increase," researchers said. "Thus, by the end of the 1980s, construction activity may well be higher than under the tax law of 1985."

In the *1987 U.S. Industrial Outlook* report, which was released in January, Commerce Department forecasters expect the total number of new housing starts in 1987 to show no change from the 1986 figure of 1.8 million units. Additionally, housing starts are predicted to "average 1.75 million starts annually through the end of the decade," the economists said.

Of the total new housing starts predicted for 1987, almost 70% of the starts are forecast in the single-family category, an increase of about 4% over 1986 levels.

Meanwhile, the forecasters foresee a reversal in a home building trend as the nation's baby boomers shy away from townhouse-style, "attached" single-family homes and increase their demand for detached houses.

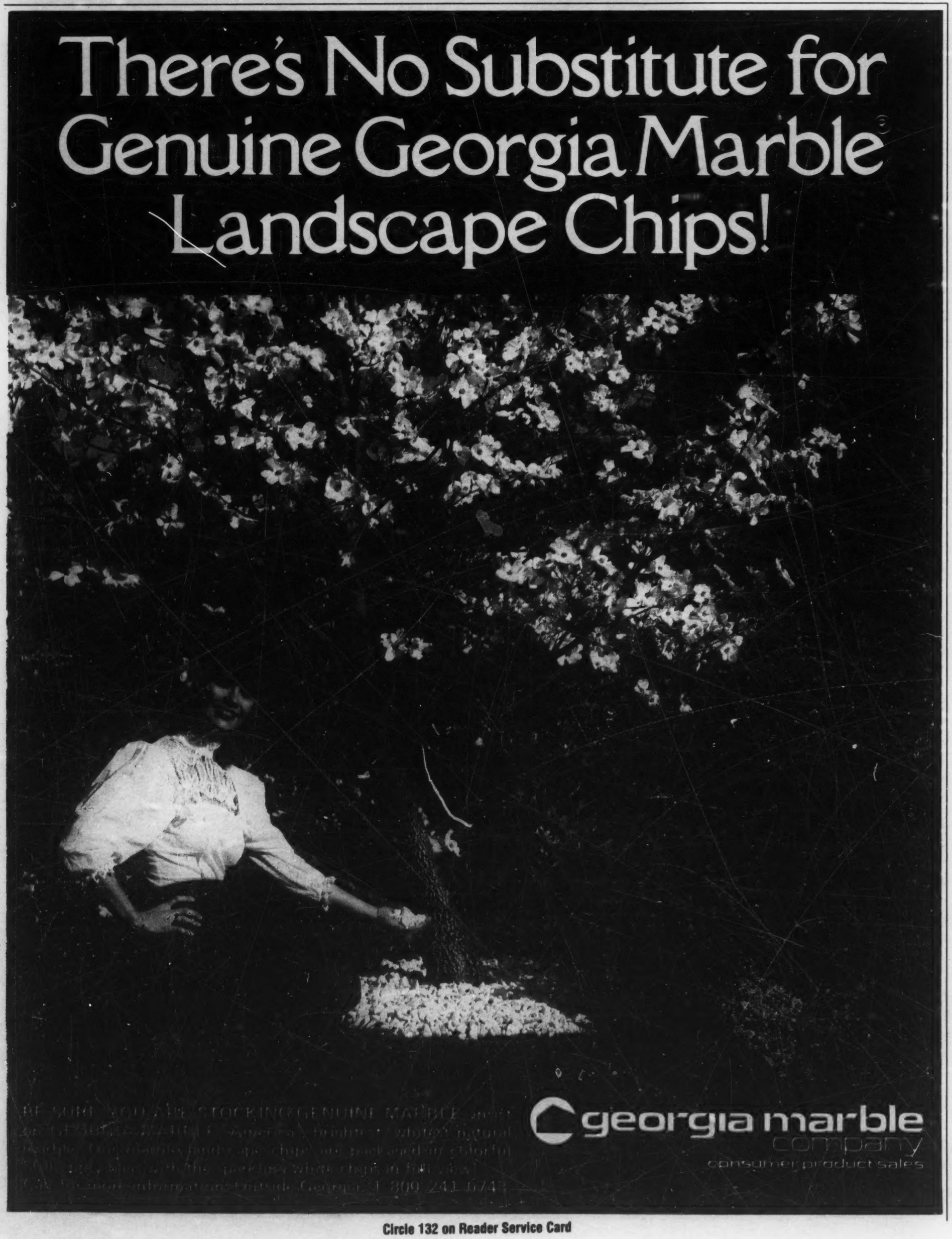
"Of the 1.25 million single-family homes started in 1987, approximately 1.1 million will be detached, continuing a trend toward larger, detached homes with more amenities. Townhouses as a portion of total single-family homes will decrease," according to the economists.

Home center operators can expect a continued growth in consumer demand for construction upkeep items "as the result of the high rate of home building and existing home resales from 1983 to 1986."

During the past year, total home improvement expenditures by owners of residential property reached almost $90 billion, an increase of 10% over 1985 levels.

According to the Commerce Department forecasters, about 45% of home improvement expenditures in 1986 was spent on "maintenance and repairs." The report defines these as "property maintenance costs including activities such as painting and appliance adjustment and repair."

The other 55% was spent by property owners on "construction improvements," which includes changes such as additions, alterations and major replacements (i.e. water heaters or furnaces).



Circle 132 on Reader Service Card

Construction Materials Price Trends 1980-86

Annual % change

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
Portland cement	6.0	2.6	*	4.0	2.0	*
Concrete products	6.3	2.3	1.4	2.5	3.4	1.8
Structural clay products	7.9	4.4	6.5	3.2	3.2	3.8
Sand, gravel, crushed stone	10.4	6.3	1.7	4.2	4.4	3.2
Gypsum products	*	*	11.7	21.2	−2.3	5.7
Prepared asphalt roofing	− 4.7	−1.6	− 5.9	3.9	2.8	−2.8
Metal doors, sash, and trim	9.2	4.2	2.9	3.6	4.7	2.3
Plumbing fixtures, fittings	8.4	4.2	3.8	4.6	3.0	3.6
Insulation	N.A.	N.A.	3.7	*	1.1	0.8

Last three years are projected changes.
Source: U.S. Department of Labor

'87 building gains to boost sales of some materials

By Amie Snider
Special to NHCN

WASHINGTON — Despite Commerce Department predictions that new construction activity will increase to record levels this year, not all construction materials are expected to also show gains in 1987.

While shipments for lumber, particleboard and wood are predicted to benefit from the anticipated upswing in 1987 new construction, demand for other building materials such as cement, brick and structural tile, concrete block and brick and gypsum products is expected to drop.

Total industry shipments of the major construction materials covered in the Commerce Department's *1987 U.S. Industrial Outlook* are expected to decrease by 3.4% in 1987, the largest annual drop in more than a decade. The *Industrial Outlook* was released in January.

This forecast is exactly opposite the situation this past year when 90% of the major construction materials industries studied by the Commerce Department benefitted from increases in demand ranging from 1% to 7%.

Housing starts strong

The government economists attribute the banner 1986 year for construction materials to a stronger than expected performance in housing starts along with "strong nonresidential construction activity."

However, for 1987, the forecasters anticipate that, "Demand for materials used in residential construction will rise slightly, while demand for materials primarily used in nonresidential construction will fall."

"Among the key factors affecting building construction, and thus the demand for construction materials in 1987, will be interest rates, the level of inflation, the employment situation and tax reform," Commerce Department economists said.

Road to recovery

Although the report anticipates a drop in office building, shopping centers and warehouse construction in 1987, it does predict that this will be the year in which industrial construction will start on the road to recovery.

The individual construction material industries to be adversely affected by the drop in new commercial building construction predicted for 1987 include the concrete industry—an industry that just last year posted gains in value of shipments of between 3% and 5%.

"The largest concrete industry, ready mix, should experience a 1% drop in shipments. The concrete block and concrete products industries should show a decline of about 4%," the economists forecast.

The value of all concrete products shipments for 1987 is forecasted to drop 4% (in real dollars). The predicted decline in product shipments (from $4.5 billion in 1986) will put the value of concrete product shipments at its lowest level since 1984.

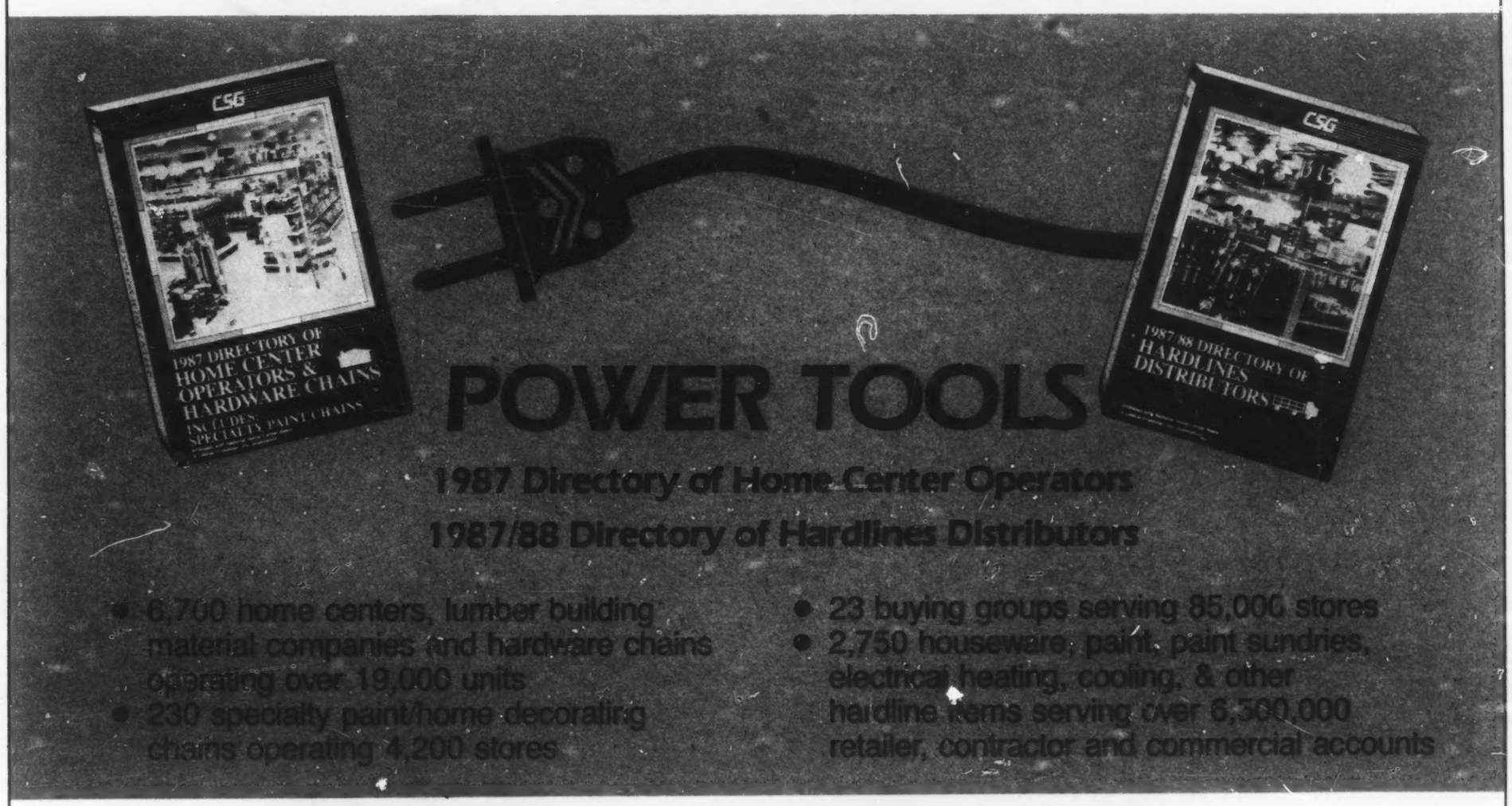
Some growth predicted

However, the Commerce Department said it foresees projected long-term growth in the concrete industry averaging 1% to 2% annually.

According to the report,

(Continued on page 166)

WHAT DOES IT TAKE TO PLUG INTO ALL THE RIGHT HOME CENTER/HARDWARE MARKETS?



1987 Directory of Home Center Operators
1987/88 Directory of Hardlines Distributors

- 6,700 home centers, lumber building material companies and hardware chains operating over 19,000 units
- 230 specialty paint/home decorating chains operating 4,200 stores
- 23 buying groups serving 85,000 stores
- 2,750 housewares, paint, paint sundries, electrical, heating, cooling, & other hardline items serving over 6,300,000 retailer, contractor and commercial accounts

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WASHINGTON REPORT: Construction Outlook

Building gains to boost sales of some materials in '87

(Continued from page 164)

"The popularity of masonry building construction should keep the block, ready mix, precast and prestressed segments strong, and substantial highway and bridge construction and building reconstruction will help the ready mix and prestressed producers."

Although government economists predict a fall of almost 2% (in real dollars) in the value of cement industry product shipments (from an estimated $4.1 billion in 1986), the demand for cement is forecasted to remain strong in the coming year.

"On the positive side, demand will benefit from the strength of the single-family housing and highway sectors and improving industrial construction," the Commerce Department report said.

Prices could rise

Meanwhile, long-term forecasts for the cement industry show that the nation's increasing reliance on cement imports rather than "modernizing existing facilities or building new plants" could backfire into higher prices for home center operators.

Commerce Department data indicates that in 1985-86, the value of cement imports rose 7.8% to an estimated $465 million. Cement imports in 1986 accounted for almost 18% of total new cement supply, up almost 400% since 1982.

"If this trend continues, the U.S. will become much more dependent on foreign-sourced cement and clinker, a brick product. If the flow of imports was disrupted for some reason, it could take several years for domestic cement producers to expand to meet demand. In the meantime, a sizeable price increase would occur, and delays in the completion of construction projects could be expected," the economists said.

Shipments to decline

Like the other construction material industries that are expected to show a drop in shipments for 1987 because of declines in office and commercial construction, brick product shipments are predicted to decline 2% (in real dollars).

The value of product shipments is expected to fall from an estimated high of $1.2 billion in 1986. Last year, the brick industry recorded a 7% increase in the value of product shipments—its largest increase in over a decade—according to Commerce Department statistics.

Long-term forecasts for the brick industry do not appear to be very positive, according to the government economists.

"Despite the growing popularity of brick and structural clay tiles for some applications, the prospect for sizeable long-term growth for these products is not great. The industry will continue to promote the product in order to regain some of its lost residential siding market for nonresidential buildings and for new applications," the report said.

In addition, "New brick sizes, shapes, colors and installation methods will be emphasized to enhance brick's popularity."

Gypsum to fall 3%

Another construction material, gypsum, is expected to record a 3% (in real dollars) fall in the value of product shipments for 1987, after topping an estimated $2.3 billion in 1986. This represents the largest drop in gypsum product shipments since the early 1970's.

"Sales are expected to drop from the 1986 record level of 20.6 billion sq. ft. to about 20 billion, which would still be the second highest annual sales figures," according to the report.

At the same time, the Commerce Department economists said, "Growth in shipments of gypsum products will be at a slower pace in the future, since office building construction will probably be lower for several years and demographic factors will tend to reduce new housing needs in the late 1980's and early 1990's. But gypsum board's ease of installation, relatively low cost, and general popularity are expected to continue to stimulate demand."

U.S. paint shipments to rise 3% in 1987

Paints: Manufacturer Shipments, 1972-1986[1]
Dollars in millions

1986[2]	$11,101
1985[2]	10,539
1984	10,848
1983	10,195
1982	9,162
1981	9,144
1980	8,340
1979	7,911
1978	7,167
1977	6,630
1976	5,931
1975	5,150
1974	5,007
1973	4,268
1972	3,822

[1]Value of all products and services sold by the Paints and Allied Products industry
[2]Estimated
Source: U.S. Department of Commerce

By Deane Evans
Special to NHCN

WASHINGTON — Despite competition from vinyl, wood and glass wall coverings, U.S. paint and coating shipments will increase 3% in 1987, according to U.S. Department of Commerce predictions.

Significantly, the growth projected for 1987 will almost equal last year's "healthy" 3.3% rise in domestic paint sales, economists said. Aided by a stable construction market and a growing remodeling sector, U.S. paint shipments reached $11.1 billion in real

(Continued on page 169)

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Circle 135 on Reader Service Card

WASHINGTON REPORT: Construction Outlook

New demand for power tools spurs modest growth

By Deane Evans
Special to NHCN

WASHINGTON — Growing demand for cordless tools by novice do-it-yourselfers will provide the impetus for modest growth in U.S. power-driven hand tool shipments over the next five years, according to U.S. Department of Commerce economists.

"Less sophisticated tools, especially cordless ones, will assume an even greater share of the overall market by the end of the decade as manufacturers hone their offerings to attract new power tool users in a better-defined and more sophisticated marketplace," economists predicted.

While a minuscule 0.6% increase is expected in 1987, long-range projections indicate that the growth rate will hover around 2.5% between 1987 and 1991. During 1986, shipments of power-driven hand tools increased 3%. However, "current" dollar value of $2.16 billion last year remained well below the 1980 "pre-recession" high of $2.3 billion, they reported.

To satisfy the growing consumer tool market predicted by government analysts, manufacturers are expected to continue developing new products such as the cordless screwdriver items introduced during 1986.

"Priced at around $20, these screwdrivers attract consumers who do not necessarily use power tools," researchers explained. In addition to offering higher quality, the new screwdriver and other cordless tools can be used longer without recharging and require shorter recharge periods.

"As the time required to recharge the tools has dropped, demand for cordless tools has risen," they said.

At the same time that manufacturers were courting beginner power tool users with easy-to-operate cordless products, they aimed other tools at "more skilled," but still non-professional, consumers. (According to researchers, 80% of the power hand tool market is considered "nonprofessional.")

"These items—such as sophisticated power drills, mitre boxes and table saws—exploit the demand for power tools beyond entry-level items such as basic drills and power saws," researchers said.

Economists predicted that domestic power tool manufacturers will continue to emphasize "near professional" tools to consumers in 1987, "while simultaneously increasing advertising budgets for consumer-related items."

Circle 137 on Reader Service Card

Power Handtools: Value of Manufacturer Shipments
Dollars in millions

1986*	$2,160
1985*	2,104
1984	2,016
1983	1,802
1982	1,795
1981	2,145
1980	2,299
1979	2,197
1978	1,929
1977	1,623
1976	1,141

*Estimate
Source: U.S. Dept. of Commerce

Outdoor equipment shipments expected to rise 1.6% annually

By Deane Evans
Special to NHCN

WASHINGTON — U.S. Department of Commerce economists predicted that U.S. shipments of lawnmowers and other garden power equipment will increase at about 1.6% annually for the next five years.

For domestic manufacturers and retailers, however, "modest" growth may not be enough to offset continuing escalation in product liability costs.

"Despite safety requirements, producers (of outdoor power equipment) are being named more frequently in lawsuits," researchers said. Such action makes adequate liability coverage increasingly important, but more illusive.

For example, Commerce Department researchers reported that some companies experienced insurance premium increases of 300% to 400%. Citing the case of Gilson's, a manufacturer of garden power equipment, researchers said premiums "soared from $350,000 to $950,000."

They also reported that some insurance companies are excluding blade accidents from coverage and said at least five companies were forced to operate without liability insurance.

Nevertheless, researchers reported a mood of "cautious optimism" for 1987.

"Industry forecasts show improvements in all product categories except walk-behind tillers," they reported.

WASHINGTON REPORT: Construction Outlook

Light fixture shipments reflect flat construction forecast

By Deane Evans
Special to NHCN

WASHINGTON — Reflecting a flat forecast for U.S. construction in 1987, shipments by U.S. lighting fixtures manufacturers should increase less than 1% this year, according to U.S. Department of Commerce economists.

Moreover, prospects for miniscule growth in 1987 are compounded by a five-year forecast of only 2% to 2.5% compound annual growth in demand for lighting fixtures.

Fortunately for home center retailers, almost all of the small increase in lighting fixture sales will be spurred by home construction and renovation of older homes.

"Expanding demand in the fast-growing building repair and renovation sector offers some promise for the industry," Commerce Department economists said. In addition, predictions of modest long-term gains which "mirror" construction forecasts could be improved by an aging population which "requires more lighting to carry out visual tasks," they said.

In future years, U.S. manufacturers should be shipping additional units for outdoor "high intensity" lighting " because of public interest in security lighting, and in additional nighttime activities," researchers predicted. Indoors, they expect consumers to buy lighting fixtures "to illuminate tasks rather than areas."

Domestic lighting fixture shipments for residential use increased 5.2% in 1986 to a value of $2.08 million, In 1985, residential lighting shipments rose a massive 22.4%.

On another electric lighting front, economists expect U.S. shipments of current-carrying wiring devices to increase about 3% in 1987.

"This assumes that residential construction will expand at a rate of about 5% and that renovation activity will remain healthy," they said.

Lighting Fixtures: Recent Performance and Forecast

In millions of dollars

	1984	1985[1]	1986[2]	1987[3]	Percent Change 1984-85	1985-86	1986-87
Lighting Fixtures							
Value of shipments	4,943	5,519	5,866	6,053	11.7	6.3	3.2
Value of imports	394	459	475	465	16.4	3.5	−2.1
Residential Lighting Fixtures							
Value of shipments	1,504	1,902	2,051	2,087	26.5	7.8	1.8
Commercial Lighting Fixtures	2,086	2,130	2,234	2,336	2.1	4.9	4.6
Lighting Equipment	1,353	1,487	1,581	1,630	9.9	6.3	3.1

[1]Estimated except for exports and imports.
[2]Estimated
[3]Forecast
SOURCE: U.S. Department of Commerce: Bureau of the Census, Bureau of Economic Analysis, International Trade Administration. Estimates and forecasts by ITA.

Prospects for miniscule growth in 1987 are compounded by a five-year forecast of only 2% to 2.5% compound annual growth in demand for lighting fixtures.

U.S. paint shipments to rise 3% in 1987

(Continued from page 166)

dollar value in 1986.

However, government analysts warned that the long-range picture is clouded.

"Continued improvement in demand is highly dependent upon developments in the construction and manufacturing industries," they said. In addition, "Competitive pressures from competing materials (vinyl siding, wood paneling, glass)" will impact the paints industry over the next five years, they predicted.

Adhesives and sealants, including "a broad range of consumer do-it-yourself products," however, are expected to increase at higher rates, according to economists. U.S. adhesive shipments are projected to grow a significant 8.3% in 1987. If the predicted growth materializes, it will mark the third consecutive year of increases exceeding 8%, they reported.

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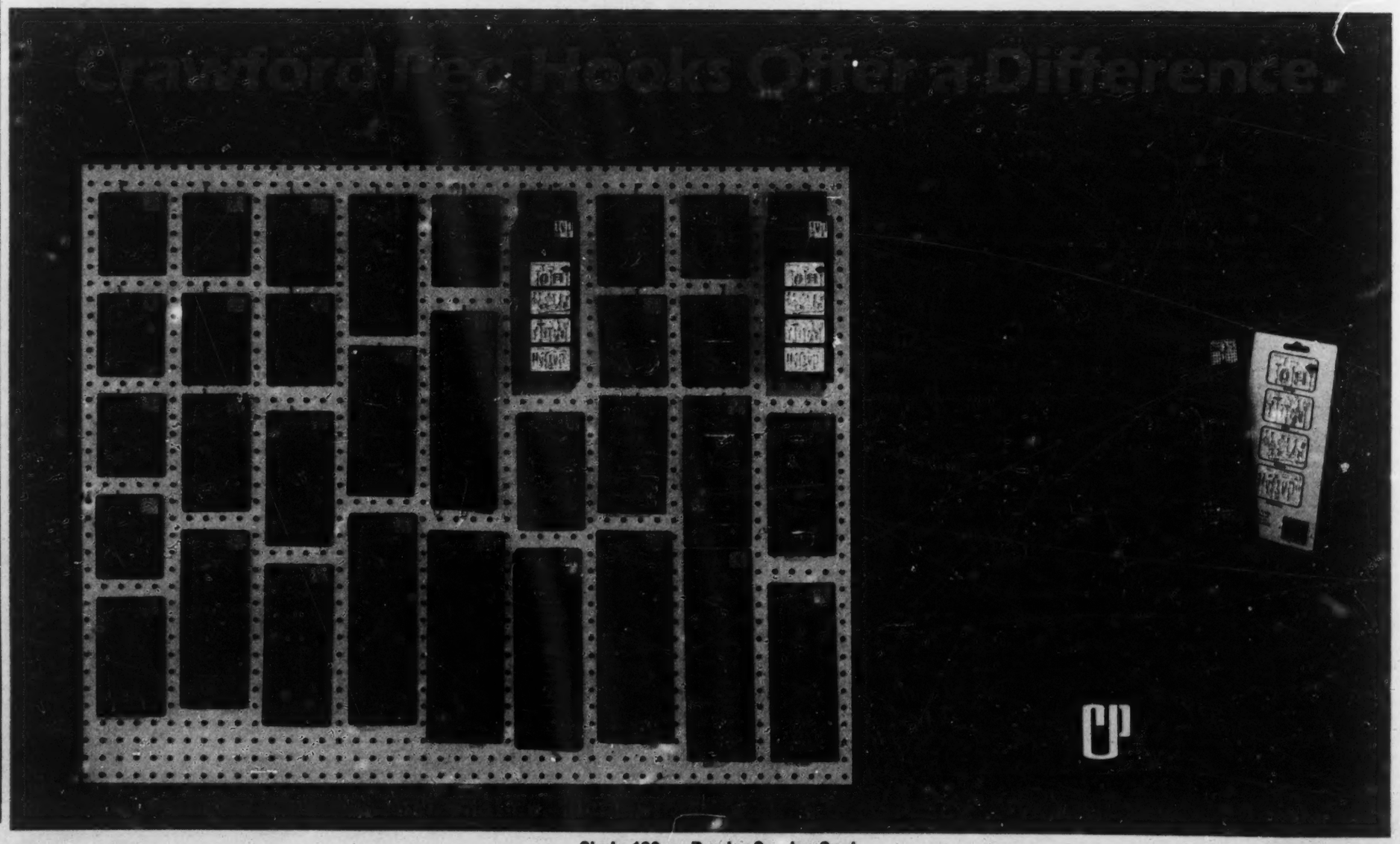

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Wood Products Shipments

In millions of dollars
Shows value of all products classified by industry

	1984	1985	1986*	1987*
Sawmills/Planning Mills				
Value of shipments	13,122	12,823	13,631	14,585
Value of imports	2,866	3,073	3,334	—
Hardwood Dimension & Flooring				
Value of shipments	1,289	1,348	1,440	1,541
Value of imports	167	201	251	—
Millwork				
Value of shipments	6,134	6,760	7,340	—
Value of imports	107	112	128	122
Wood Panel Products				
Value of shipments	6,051	6,075	6,495	—
Value of imports	710	720	790	765
Hardwood Plywood				
Value of shipments	1,501	1,345	1,305	1,305
Value of imports	531	528	580	560

*Esumate
Source: U.S. Department of Commerce

Home renovation will fuel 4% increase in '87 lumber demand, says Commerce

By Deane Evans
Special to NHCN

WASHINGTON — Housing repair and remodeling will fuel a 4% increase in demand for lumber this year, according to U.S. Department of Commerce projections.

Predicting "an increasing interest" in renovation of older homes, government economists said that lumber shipments should reach a value of $14.7 billion this year. Moreover, wood shipments are expected to continue to increase at about 3% annually for the next five years.

According to researchers, U.S. consumers spent almost $90 billion on repair and remodeling in 1986—a figure that has doubled since 1982—and renovation expenditures are expected to continue to increase.

"Nearly one-third of the nation's permanent residence owners are more than 45 years old, and this age group is more inclined to repair and remodel than to purchase new homes," they said.

Nevertheless, economists predicted that U.S. housing starts will remain steady, with both remodeling and new construction contributing to revenues for wood products' manufacturers and retailers. (More than 1.8 million units are projected for 1987.)

In addition, U.S. home buyers "have become more interested in wood construction, interiors and trim," according to the report.

Millwork will see a fifth consecutive year of growth in 1987, according to predictions. An increase in shipments of 3%, to $8 billion, is projected. Millwork shipments in 1986 reached a value of $7.7 billion—59% higher than in 1982. Sales of millwork products should continue to increase at 2% per year "if housing starts are between 1.6 million and 1.7 million units per year and renovation activity continues," economists said.

Prospects for growth in hardwood flooring are also dependent on a healthy housing construction and remodeling (as well as commercial construction) scenario. If Commerce Department predictions in these areas hold up, the demand for hardwood flooring should increase 3.7% in 1987. Continued construction growth is expected to produce an average increase of 4% in flooring shipments through 1991.

The value of hardwood flooring shipments reached $1.4 billion in 1986.

Wood panel product shipments topped $7 billion last year. The bulk of panel products were softwood plywood and veneer ($4.6 billion). Hardwood plywood accounted for $1.3 billion of the 1986 shipment value, with nonveneer structural panel adding $1 billion.

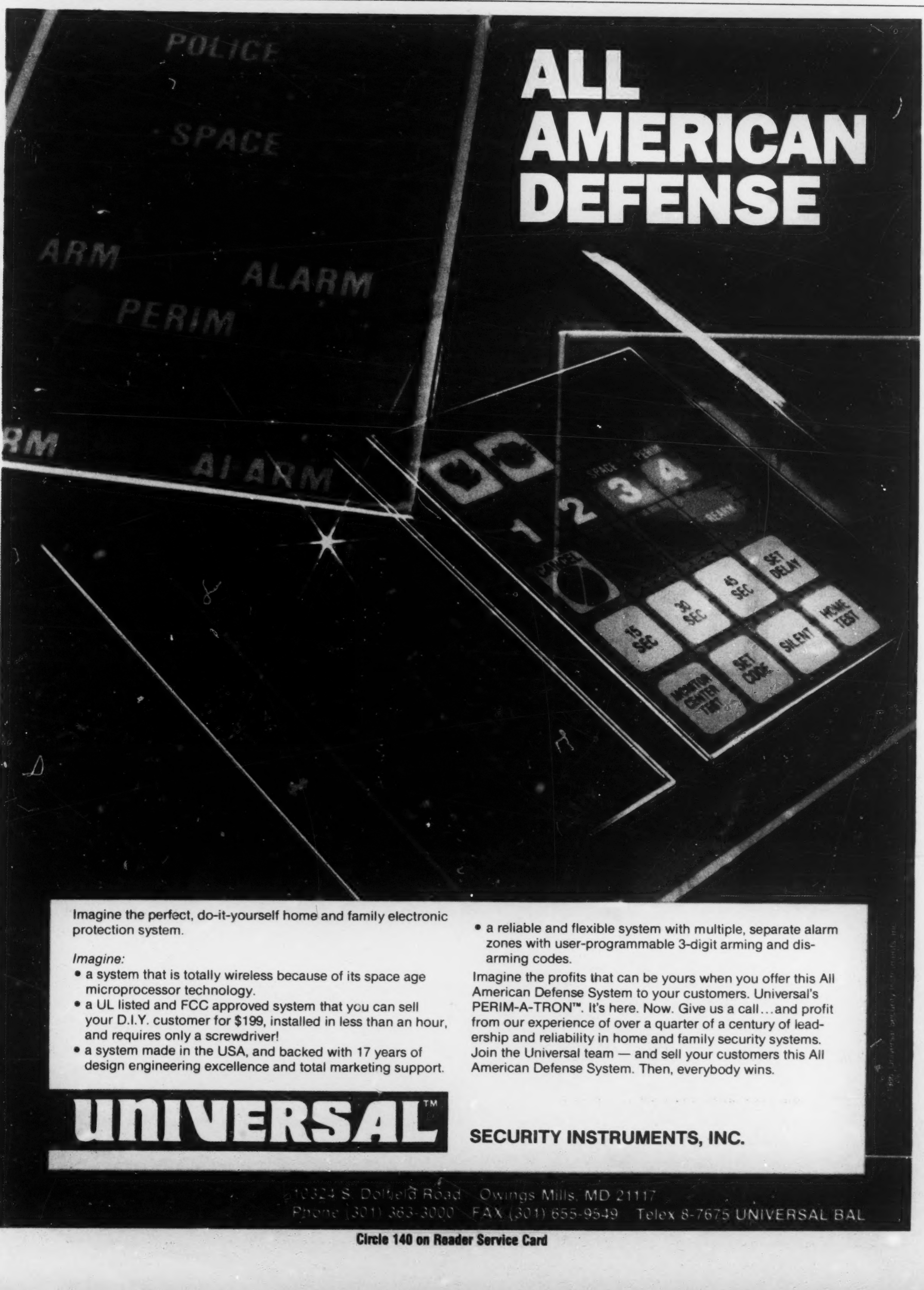
Economists predict that wood panel shipments will increase 1.1% in 1987. Nonveneer panel will account for most of the growth, increasing 8.2%. At the same time, hardwood plywood shipments are expected to decrease 2.6%.

According to economists, expanding demand in building repair and renovation will not offset the impact of "downturns" in major hardwood veneer markets. Over the next five years, the sector will continue to grow at the "historic" rate of 1% per year, economists predicted.

Future growth in shipments of softwood plywood and veneer are also expected to be "flat," they said. U.S. softwood panel shipments are projected to increase less than 1% in 1987. Any gains that do materialize will probably result from the repair and remodeling sector, "where annual growth has exceeded 10% in recent years," researchers reported.

Significantly, softwood plywood shipments were up a massive 9.1% in 1986 (even after adjustment for inflation). Shipments were $4.6 billion in real dollar value.

In contrast to the negative turnaround expected in the softwood panel sector, U.S. particle board shipments—up 8.6% last year—are expected to continue to grow at about the same rate (estimated at 8.2%) in 1987.



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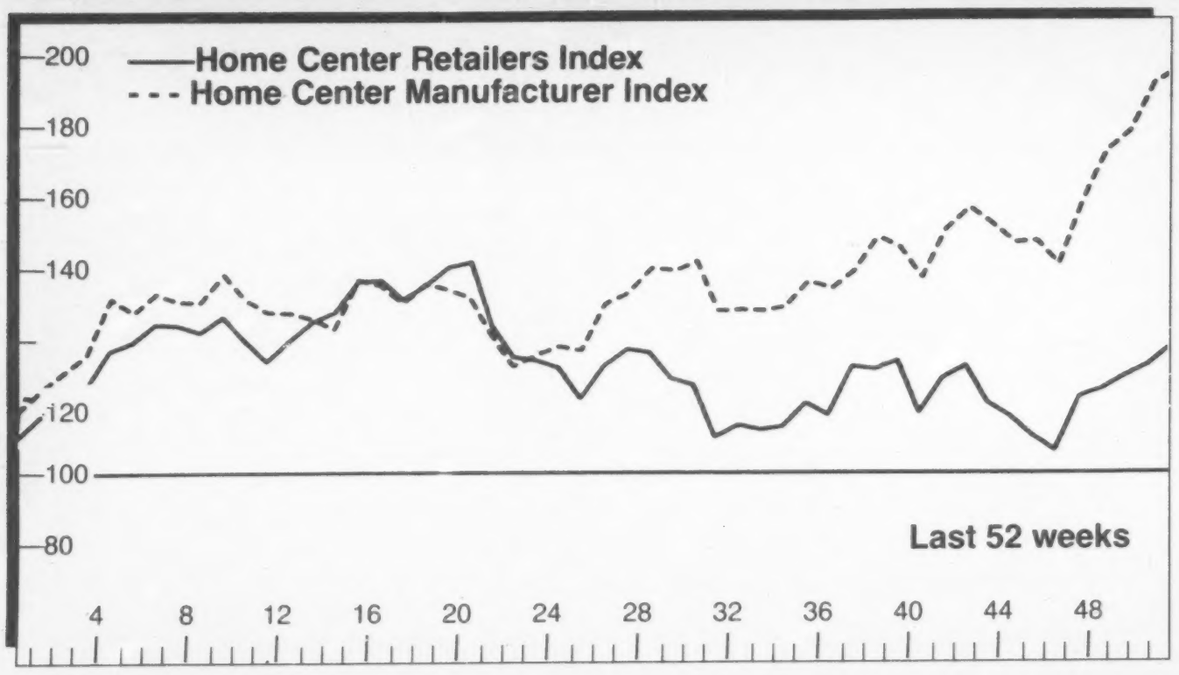
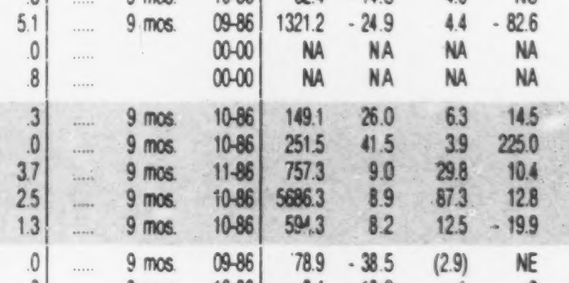


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
2-20-87	(100)	%	%
Natl Hardgoods ..... M	656	512.6	1.6
Natl Lumber ..... M	2,537	429.4	27.3
Hechinger A ..... M	12,745	322.5	3.7
Am Consum Prods ..... M	440	282.6	- 2.9
Supermkts Gen ..... N	31,368	275.1	14.2
Wolohan Lumber ..... M	3,088	199.4	10.8
Sears, Roebuck ..... N	138,982	192.9	17.6
Pay N Pak ..... N	5,507	185.5	10.4
Allegheny Int ..... N	6,899	183.6	6.2
Home Depot ..... N	17,783	178.0	1.6

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 2-20-87	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Manville Cp ..... N	2.63	31.3	12,851
Owens Corn ..... N	27.25	29.8	52,868
Natl Lumber ..... M	7.00	27.3	2,537
Waxman Ind ..... M	13.25	24.7	3,398
Sears, Roebuck ..... N	53.50	17.6	138,982
Stanline Inc ..... M	11.00	14.3	348
Supermkts Gen ..... N	34.25	14.2	31,368
K mart Cp ..... N	59.00	13.5	65,186
Wolohan Lumber ..... M	11.50	10.8	3,088
Pay N Pak ..... N	13.25	10.4	5,507
Losers	**$**	**%**	**(100)**
Svc Merchandise ..... M	7.38	- 6.3	28,060
Stanley Works ..... N	30.00	- 5.9	8,767
Boise Cascade ..... N	75.63	- 4.6	16,596
USG Corp ..... N	39.25	- 4.3	12,767
DeSoto Inc ..... N	41.75	- 4.0	847
La Pacific ..... N	36.00	- 3.7	22,685
Moore Handley ..... M	8.00	- 3.0	681
Am Consum Prods ..... M	8.50	- 2.9	440
Masco Corp ..... N	35.50	- 2.7	28,309
Potlatch Cp ..... N	72.25	- 2.4	3,054

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 2-20-87 $	2-Weeks Change Amt. $	2-Weeks Change Pct. %	2-Week Range High $	2-Week Range Low $	52-Week Range High $	52-Week Range Low $	Volume: 2-Weeks Shares Traded Total (100)	2-Weeks Shares Traded % Out %	12-Week Avg. Vol. As % Out %	Volume Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report: New Report -	Latest Report: Period -	Latest Report: Date Ended -	Latest Quarter: Revenue Amt. $Mil	Latest Quarter: Revenue Chg. %	Latest Quarter: Net Income Amt. $Mil	Latest Quarter: Net Income Chg. %	Latest Quarter: E.P.S. Amt. $	Latest Quarter: E.P.S. Chg. %	Year-to-Date: Revenue Amt. $Mil	Year-to-Date: Revenue Chg. %	Year-to-Date: Net Income Amt. $Mil	Year-to-Date: Net Income Chg. %	Year-to-Date: E.P.S. Amt. $	Year-to-Date: E.P.S. Chg. %
Retailers																													
Color Tile ..... M	30.00	.00	.0	30.00	30.00	33.00	21.00	0	.00	.09	-100.0	19.0	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent ..... A	38.25	- .25	- .6	38.50	37.50	39.38	22.00	77	.10	.16	- 37.5	23.9	.30	.8	.....	9 mos.	10-86	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R ..... N	54.75	.75	1.4	56.50	53.00	60.75	45.25	20,194	4.86	2.77	75.5	18.6	2.80	5.1	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Grossman's Inc ..... M	10.50	.63	6.3	10.63	9.75	10.50	6.75	3,456	1.73	.91	90.1	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	21.00	.75	3.7	21.25	19.75	23.59	16.00	12,745	11.66	2.76	322.5	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	21.00	1.00	5.0	21.25	20.00	23.59	16.25	643	.39	.50	- 22.0	24.4	.06	.3	.....	9 mos.	10-86	149.1	26.0	6.3	14.5	.21	16.7	448.1	23.7	19.6	18.8	.64	14.3
Home Depot ..... N	24.25	.38	1.6	25.00	22.50	25.00	14.13	17,783	7.06	2.54	178.0	32.8	.00	.0	.....	9 mos.	10-86	251.5	41.5	3.9	225.0	.15	275.0	737.6	48.4	16.2	189.3	.63	186.4
INTERCO Inc ..... N	43.25	1.13	2.7	43.25	40.25	47.63	36.63	10,468	3.68	2.27	62.1	13.9	1.60	3.7	.....	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Cp ..... N	59.00	7.00	13.5	59.50	50.38	59.50	37.13	65,186	5.04	2.36	113.6	25.3	1.48	2.5	.....	9 mos.	10-86	5686.3	8.9	87.3	12.8	.66	10.0	16877.7	7.7	297.3	41.1	2.24	36.6
Lowe's Cos ..... N	30.38	1.38	4.7	30.88	27.13	41.50	22.50	12,691	3.20	1.76	81.8	20.7	.40	1.3	.....	9 mos.	10-86	594.3	8.2	12.5	- 19.9	.31	- 26.2	1786.1	11.8	45.1	- 6.8	1.16	- 12.8
Mich General ..... A	1.25	.00	.0	1.38	1.00	5.25	1.00	3,854	2.16	.93	132.3	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	8.00	.13	1.6	8.00	7.50	9.31	5.69	656	5.33	.87	512.6	19.0	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	7.00	1.50	27.3	7.25	5.75	7.00	4.00	2,537	4.50	.85	429.4	NE	.00	.0	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	13.25	1.25	10.4	13.25	11.88	19.38	9.50	5,507	5.51	1.93	185.5	20.1	.40	3.0	.....	9 mos.	11-86	101.4	17.9	1.9	5.6	.19	5.6	315.2	21.6	5.3	- 23.2	.53	- 23.2
Payless Cash ..... N	23.75	1.88	8.6	24.25	21.00	27.50	15.88	16,051	4.63	1.78	160.1	19.5	.16	.7	.....	fiscal	11-86	405.6	7.2	11.0	- .9	.31	- 3.1	1527.7	10.0	42.4	11.3	1.22	8.9
Scotty's Inc ..... N	15.38	1.13	7.9	15.88	14.25	18.13	12.00	2,991	2.07	.78	165.4	19.0	.52	3.4	.....	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck ..... N	53.50	8.00	17.6	53.75	44.88	53.75	39.00	138,982	3.72	1.27	192.9	14.8	2.00	3.7	NEW	fiscal	12-86	12969.7	7.5	543.0	- 1.7	1.45	- 3.3	44281.5	8.8	1351.3	3.7	3.62	2.5
Svc Merchandise ..... M	7.38	- .50	- 6.3	8.38	6.88	15.00	7.38	28,060	8.42	4.93	70.8	NE	.08	1.1	.....	9 mos.	09-86	329.5	- 37.6	(30.3)	NE	(.92)	NE	1413.2	- .5	(68.8)	NE	(2.07)	NE
Std Brd Pnt ..... N	23.75	1.25	5.6	24.25	22.13	27.00	19.38	4,553	4.02	1.85	117.3	19.3	.58	2.4	.....	9 mos.	10-86	85.9	- 4.6	4.2	5.0	.38	8.6	252.9	- 5.1	12.3	- 13.4	1.09	- 13.5
Supermkts Gen ..... N	34.25	4.25	14.2	36.50	29.38	36.50	22.50	31,368	8.14	2.17	275.1	20.1	.28	.8	.....	9 mos.	10-86	1374.7	8.8	9.6	- 60.3	.24	- 29.4	4073.4	8.2	41.8	- .7	1.10	- 6.8
Wickes Cos ..... A	4.00	.00	.0	4.25	3.88	7.00	3.25	49,213	2.07	1.67	24.0	10.8	.00	.0	.....	9 mos.	10-86	1254.8	- 14.5	33.0	114.3	.15	200.0	3361.7	11.6	69.5	252.8	.30	650.0
Wolohan Lumber ..... M	11.50	1.13	10.8	11.50	10.38	11.50	6.63	3,088	5.27	1.76	199.4	12.8	.20	1.7	NEW	fiscal	12-86	52.5	40.4	1.7	30.8	.29	31.8	194.4	29.0	5.3	51.4	.90	50.0
Zayre Corp ..... N	30.38	1.25	4.3	30.50	27.50	43.88	20.75	26,817	4.55	2.48	83.5	21.1	.32	1.1	NEW	9 mos.	10-86	1316.4	30.5	22.9	- 15.2	.39	- 15.2	3573.6	32.6	48.6	- 16.5	.82	- 18.0
Wholesalers																													
Moore Handley ..... M	8.00	- .25	- 3.0	8.50	7.38	19.25	6.75	681	2.71	1.29	110.1	14.5	.00	.0	.....	9 mos.	09-86	23.5	35.8	.3	200.0	.09	- 18.2	64.4	24.1	1.0	100.0	.44	29.4
Lewis Palmer ..... M	8.38	.63	8.1	8.38	7.63	9.88	7.25	1,787	4.56	2.01	126.9	26.2	.28	3.3	.....	9 mos.	10-86	60.0	50.4	.7	16.7	.17	6.3	140.4	27.2	1.2	50.0	.31	40.9
Stanline Inc ..... M	11.00	1.38	14.3	11.75	9.50	12.13	7.84	348	2.05	.79	159.5	12.0	.32b	2.9	.....	fiscal	10-86	15.9	14.4	.4	.0	.31	40.9	59.7	7.8	1.5	15.4	.92	3.4
Manufacturers																													
Allegheny Int ..... N	15.00	.88	6.2	16.75	14.00	25.25	11.38	6,899	6.41	2.26	183.6	NE	.00	.0	.....	9 mos.	09-86	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Consum Prods ..... M	8.50	- .25	- 2.9	9.00	8.25	9.88	8.50	440	4.40	1.15	282.6	12.3	.00	.0	.....	9 mos.	09-86	9.2	15.0	.3	200.0	.34	161.5	25.8	12.7	.5	150.0	.55	205.6
Am Standard ..... N	49.75	3.25	7.0	49.88	45.50	49.88	36.00	8,044	2.42	1.33	82.0	9.4	1.60	3.2	.....	fiscal	12-86	768.7	- .6	33.0	- 9.1	1.00	8.7	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark ..... M	14.13	.00	.0	14.38	14.00	14.75	10.00	925	1.34	.64	109.4	13.0	.00	.0	.....	6 mos.	10-86	31.9	31.3	2.3	109.1	.33	50.0	60.3	24.1	4.1	86.4	.63	43.2
Armstrng Wrld ..... N	40.25	2.00	5.2	41.88	36.50	41.88	24.25	1,445	2.38	1.38	72.5	15.8	.84	2.1	.....	fiscal	12-86	496.4	16.5	30.1	33.2	.53	34.0	1920.3	14.4	122.4	21.3	2.54	21.0
Black & Decker ..... N	20.75	.63	3.1	21.75	20.00	25.25	14.50	26,993	4.65	2.74	69.7	45.1	.40	1.9	.....	3 mos.	12-86	529.0	1.4	22.4	7.2	.38	- 7.3	529.0	1.4	22.4	7.2	.38	- 7.3
Boise Cascade ..... N	75.63	- 3.63	- 4.6	79.88	74.25	80.50	50.50	16,596	5.69	2.67	113.1	22.8	1.90	2.5	.....	fiscal	12-86	969.3	8.6	31.9	67.9	1.04	70.5	3790.5	1.4	101.5	- 2.7	3.32	- 3.8
Certain-teed ..... N	38.00	- .25	- .7	38.88	36.25	38.88	24.63	1,788	.94	.63	49.2	12.6	.90	2.4	.....	fiscal	12-86	268.6	2.6	10.7	2.9	.57	3.6	1114.2	.4	57.3	7.3	3.02	10.6
Champ Intl ..... N	37.88	.25	.7	39.50	35.25	39.63	22.50	43,352	4.61	2.63	75.3	18.2	.64	1.7	.....	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc ..... N	41.75	- 1.75	- 4.0	43.75	40.75	43.75	34.25	847	1.77	.67	164.2	50.9	1.40	3.4	.....	fiscal	12-86	77.8	3.0	.4	- 86.2	.09	- 85.0	413.8	2.0	3.9	- 72.5	.82	- 72.4
Emhart Corp ..... N	42.00	1.75	4.3	42.00	40.00	42.63	30.75	5,290	1.71	1.10	55.5	NE	1.40	3.3	.....	9 mos.	09-86	472.6	12.2	(71.2)	- 100.0	(2.30)	- 100.0	1510.1	17.0	(33.4)	- 100.0	(.98)	- 100.0
Genova ..... M	5.13	.00	.0	5.19	5.13	5.63	4.38	97	.25	.20	25.0	11.9	.10	2.0	.....	fiscal	09-86	15.9	15.2	.7	.0	.19	- 5.0	51.8	4.2	1.6	6.7	.43	7.5
Georgia-Pacific ..... N	47.00	- .13	- .3	47.88	44.00	48.25	28.00	42,286	4.07	2.04	99.5	17.5	1.00	2.1	.....	fiscal	12-86	1781.0	12.0	83.0	2666.7	.75	NE	7223.0	7.5	296.0	67.2	2.69	74.7
Ireiico Corp ..... N	24.25	.25	1.0	25.13	23.63	25.50	17.38	5,956	2.87	1.96	46.4	15.3	1.00b	4.1	.....	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
La Pacific ..... N	36.00	- 1.38	- 3.7	36.88	34.63	36.88	22.09	22,685	5.98	2.35	154.5	20.9	.80b	2.2	.....	fiscal	12-86	382.2	22.3	16.8	147.1	.45	150.0	1506.2	19.5	64.9	154.5	1.72	152.9
Macmillan Bloedel ..... M	47.75	3.25	7.3	48.88	44.38	48.88	19.13	2,401	.77	.30	156.7	NA	1.25	NA	NEW	fiscal	12-86	542.2	- 9.9	23.3	14.2	.48	9.1	2511.7	7.5	133.3	210.7	3.21	494.4
Manville Cp ..... N	2.63	.63	31.3	3.38	1.88	8.88	1.63	12,851	5.35	2.69	98.9	1.1	.00	.0	NEW	fiscal	12-86	463.1	- 2.4	17.3	- 17.2	.46	- 24.6	1920.3	2.1	81.2	NE	2.34	NE
Masco Corp ..... N	35.50	- 1.00	- 2.7	36.50	33.75	36.75	23.50	28,309	2.20	1.08	103.7	19.1	.36	1.0	.....	9 mos.	09-86	367.0	NC	51.3	NE	.40	NE	1002.0	123.1	148.0	537.9	1.15	101.8
Mor-Flo Inds ..... M	13.75	.00	.0	14.00	13.75	19.75	12.00	67	.26	.22	18.2	15.3	.01	.1	.....	9 mos.	09-86	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co ..... N	31.75	.25	.8	33.13	31.00	36.75	24.00	1,351	1.18	1.04	13.5	14.6	.84	2.6	.....	fiscal	12-86	105.5	9.2	7.4	34.5	.63	3.3	401.4	14.7	24.0	27.0	2.17	3.8
Owens Corn ..... N	27.25	6.25	29.8	28.63	21.13	28.63	8.88	52,868	14.11	8.78	60.7	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	17.13	1.13	7.0	17.25	15.63	17.25	10.00	2,731	3.40	2.12	60.4	19.7	.12	.7	.....	9 mos.	09-86	59.2	49.9	1.6	45.5	.16	.0	168.9	37.3	6.0	93.5	.72	41.2
Pope & Talbot ..... N	38.88	- .13	- .3	39.50	36.75	40.00	17.75	4,220	7.03	3.92	79.3	14.8	.88	2.3	.....	fiscal	12-86	60.8	- 18.8	8.4	1300.0	1.40	1300.0	289.1	- 11.1	15.8	135.8	2.63	136.9
Potlatch Cp ..... N	72.25	- 1.75	- 2.4	73.50	70.75	75.50	38.38	3,054	2.30	1.28	79.7	14.5	1.68	2.3	.....	fiscal	12-86	243.3	7.0	20.2	359.1	1.45	457.7	976.4	2.7	70.0	85.7	4.98	127.4
Sherwin-Wms ..... N	34.38	1.13	3.4	34.88	33.00	35.13	22.75	9,512	2.11	1.33	58.6	14.9	.56	1.6	.....	fiscal	12-86	350.5	- 32.3	36.3	221.2	.81	237.5	1552.9	- 29.2	106.0	42.1	2.31	42.6
SW Forest Ind ..... N	31.38	.50	1.6	31.38	30.88	31.50	11.88	8,610	7.01	8.63	- 18.8	NM	.00	.0	.....	fiscal	12-86	169.9	.4	15.1	NE	1.06	NE	631.5	- 9.8	7.2	NE	.17	NE
Stanley Works ..... N	30.00	- 1.88	- 5.9	31.88	29.50	33.50	23.19	8,767	2.10	.96	118.8	16.1	.76	2.5	NEW	fiscal	12-86	256.2	- 20.5	23.5	- 8.6	.54	- 12.9	1371.3	13.5	78.8	.6	1.86	- 2.1
Thos Inds ..... N	20.63	.00	.0	20.88	19.75	24.31	15.50	886	.89	.75	18.7	16.0	.62b	3.0	NEW	fiscal	12-86	75.6	- 2.6	3.2	- 23.8	.32	- 23.8	296.2	- 4.3	12.8	- 21.0	1.29	- 21.8
USG Corp ..... N	39.25	- 1.75	- 4.3	40.88	38.25	46.50	28.88	12,767	2.01	1.64	22.6	11.1	1.12	2.9	.....	fiscal	12-86	695.1	9.4	56.4	4.6	.93	13.4	2723.7	7.8	225.4	.7	3.54	5.4
Walter, Jim ..... N	55.50	2.50	4.7	56.00	51.50	56.00	39.50	8,752	2.76	1.52	81.6	11.9	1.40	2.5	.....	3 mos.	11-86	595.9	6.0	37.9	19.6	1.17	.9	595.9	6.0	37.9	19.6	1.17	.9
Waxman Ind ..... M	13.25	2.63	24.7	13.25	10.00	13.25	6.34	3,398	10.80	4.17	159.0	13.8	.08	.6	.....	3 mos.	09-86	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weyerhaeuser ..... N	49.00	1.50	3.2	49.50	45.50	50.13	30.50	36,245	2.78	1.91	45.5	25.7	1.30	2.7	.....	fiscal	12-86	1450.6	17.2	96.1	51.1	.70	62.8	5652.0	8.6	276.7	38.3	1.91	44.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National
Home Center News ®

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Payless to launch new customer-friendly store

By Phillip M. Perry
NHCN staff editor

NEW YORK — Payless Cashways is developing a new store more customer friendly than traditional units.

The new store will serve as a model for all future Payless stores, with the exception of Somerville Lumber units. The Kansas City, Mo.-based firm expects the greater merchandise assortment of the new prototype, along with its more visible and easily accessible display of goods, to enhance revenues.

Larry Kunz, president and chief operating officer of Payless Cashways.

In remarks made before members of the New York Society of Security Analysts on March 6, officers of Payless

(Continued on page 94)

Dealers at show fear rising prices and inflation in '87

By an NHCN staff editor

CHICAGO — Prices are on the rise. Inflation is peeking over the horizon.

Those were the concerns of retailers at the 12th Annual National Home Center Show here. For many, the solution lay in taking a closer look than ever before at higher margin items that might buttress stores against more price increases expected by year's end.

"For the first time in a long time, prices are going up," said Harold Cohen, chairman, Somerville Lumber, Somerville, Mass. He estimated increases came to about 3% across the board.

> "We haven't run into price increases yet, but I expect we will see them the second half of the year."
> —**Frank Denny,** *president, Builders Square*

Duane Clark, merchandise coordinator at Westlake Hardware, Lenexa, Kan., reported prices of imports were rising, as much as 4% so far this year and expressed some concern that the trend would continue.

Ace Hardware, the $1.06 billion co-op based in Oak Brook, Ill., has seen prices starting to rise this year and expects the trend to continue. It estimated that, for its own merchandise, the inflation factor would come to 1.75% to 2% this year, up from the 0.9% of last year.

"Our projection is based on figures from the government, including the rise in interest rates," said Bill Loftus, vp-sales, for Ace.

In some highly competitive markets, Pittsburgh and Chicago among them, dealers said they had not yet experienced

(Continued on page 93)

Pay 'N Pak intros customer lounge, furniture

By an NHCN staff editor

INDIO, Calif.— Pay 'N Pak, the 107-store Western chain, is bringing "creature comfort" to DIY shopping.

In its newly opened Home Improvement Warehouse Outlet here, shoppers may relax in a "Customer Lounge."

The lounge contains two benches and a water cooler and is located at the end of the store's main center aisle.

Using valuable selling space to give shoppers a place to sit down is unusual in DIY retailing, but Pay 'N Pak apparently wanted to project a strong "user-friendly" environment in its latest warehouse-format store and perhaps appeal to an upscale customer.

Pay 'N Pak has included a Customer Lounge and a spacious display of furniture, showcased in room suites illuminated by high-tech lighting, in its new Indio, Calif., warehouse. NHCN photo

This store, which opened in late January, is a retrofit of an ex-Zodys discount outlet on Highway 111 east of Palm Springs. It represents the Kent, Wash.-based chain's first foray in southern California.

Company officials indicated that they are happy with the store's merchandising innovations.

"It is a jewel in the chain," vp-marketing Richard E. Friel said. "The store is reflective of a lot of things we're doing [chainwide]," he added.

Friel was reluctant to go beyond this, though. "It is a key

(Continued on page 93)

Lowe's plans revamp of 100 smaller units

By an NHCN staff editor

NEW YORK — Lowe's said it was launching a program to give a facelift to 100 of its smaller home centers during the first quarter of this year.

Dubbed "Pre-Phoenix," the program was unveiled during a presentation to security analysts here March 6. It is intended to clean up the stores, fill in shelf space, and brighten displays at some of the firm's

(Continued on page 93)

Industry vets target San Diego for specialty paint chain

By Brad Altman
NHCN staff editor

SAN DIEGO — Several DIY industry veterans are mapping out plans to launch a chain of 35,000-sq.-ft. upscale specialty paint and home decorating stores catering to both DIYers and professionals in the San Diego market.

The stores will be called The Paint Factory and the first two units are scheduled to open this summer, according to president Stephen E. Capasso, who most recently was a merchandiser for The Home Depot out of the chain's Fullerton, Calif., offices.

Financing the new venture was obtained through a private placement that will provide capital for initial expansion, with five units to be opened by year-end, Capasso said. The startup costs were not available.

Aims at DIYers, decorators

Capasso described The Paint Factory's target customers as "DIY paint and decorating consumers, professional decorators, paint contractors and tradesmen.

"The DIY product focus will be on fashion merchandise and upscale designer products, while the professional area will be directed toward the special needs of the contractor," Capasso added.

Joining Capasso on the management team of The Paint Factory is Martin R. Bocola, executive vp-operations, formerly vp-operations for Evans Products' Northwest Division retail group based in San Carlos, Calif.

Both Capasso and Bocola previously worked together in executive positions at Builders Emporium, Irvine, Calif.

The third DIY industry veteran at The Paint Factory is George Rotsheck, director of pro sales, formerly gm of San Diego Glass & Paint.

(Continued on page 94)

INSIDE

National Home Center Industry Advertising and Marketing Awards
Golden Hammer awards for the best 1986 TV ad campaigns by a chain with sales over $100 million and a supplier were handed out in Chicago last month to, respectively, Knox Lumber and North American Philips Lighting.

NEWSBREAKS

LANOGA PRESIDENT RESIGNS: Theodore T. Tanase resigned as president and ceo of the Seattle company in late February. Lanoga chairman Gary McLeod was named acting ceo.
FORMER ACE CHAIRMAN DIES: Arthur H. Krausman, Ace Hardware's president from 1974 to 1981 and chairman from 1976 to 1983, died March 8 of a heart attack. He was 72.
RICKEL PARENT SEEKS WHITE KNIGHT: Supermarkets General is searching for a friendly buyer to deflect an unsolicited $1.62 billion buyout bid from Dart Group.

INDUSTRY UPDATE

Perma-Bilt closes new deal

TORRANCE, Calif. — Perma-Bilt, the maker of vanities, medicine cabinets and furniture here, closed a deal to purchase Commodore Vanities on March 6.

The purchase includes the acquisition of Beauty Craft, a maker of vanities and marble tops in Oklahoma City. The merger creates a $100 million sales entity.

Although the purchase price was undisclosed, Commodore indicated the amount was under $10 million.

Larry Pallitz stepped down as Commodore's president. His position will be assumed by Ron Simon, Perma-Bilt's president. Pallitz will stay in the industry as a consultant.

The combination expands the product range of the remaining firm. "Commodore's product line is more oriented to the promotional or low-end side of the market," said Frank Xavier, Perma-Bilt's senior vp-sales/marketing.

Austram, an Australian financial holding company owning about 50% of Perma-Bilt, helped finance the deal.

Handy Andy acquires Forest City

CHICAGO — Handy Andy Home Improvement Centers was slated to close its acquisition of the 18-unit Forest City on March 13. The Gurnee, Ill., chain won't pick up Forest City's two Ohio distribution centers, according to Hank Kirschner, senior vp-marketing. Paul Siegel, vp-merchandising at Forest City, left the company March 13 after five years.

Kirschner said Handy Andy would consolidate most of the Forest City buying functions at its new buying office in Schaumburg, Ill. Ads for Forest City in Detroit, Cleveland and Akron, Ohio, are now referring to Handy Andy's Forest City.

HomeClub opens two units

FULLERTON, Calif. — HomeClub, the 28-unit membership warehouse chain based here, was slated to open 100,000-sq.-ft. units in Lynnwood, Wash., and Stockton, Calif., on March 5.

These are the first new stores to open since last August, when the Zayre-owned division debuted its first Washington state unit, in the Seattle suburb of Kent.

President Herbert Zarkin said HomeClub plans to open eight additional units in 1987, of which six will be in California and two in the Denver market, raising its year-end store count to 38.

Former Grace ceo joins new firm

PHOENIX — Sean Lee, the former ceo of Grace Home Centers West, has joined the private company based in New York which agreed on Feb. 18 to pay $50 million for Lucky Stores' Phoenix-based Yellow Front general merchandise chain.

Glitches cause loss at Frank's

STAMFORD — Due to the discovery of problems in its computerized accounts payable system, Frank's Nurseries and Crafts will report a "substantial operating loss" for 1986, according to its parent, General Host.

"It now appears Frank's has experienced deterioration in merchandise profit margins, in addition to the previously disclosed cost increases related to Frank's ambitious store expansion program," said the company.

E. Kent Kinard has stepped down as president of Frank's.

General Host has named Robert Ench, founder and president of its Flower Time unit, as Frank's chairman.

Stocks win another round

NEW YORK — For home center industry stocks, the two weeks ending March 6 represented yet another winning round in the trading pits.

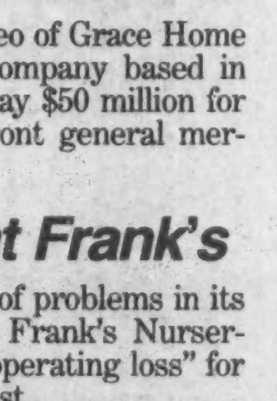
Of 58 stocks tracked by *NHCN*, 33 increased in value, three remained unchanged and 22 declined.

No. 1 on the home center hit parade was National Hardgoods Distributors, which gained 18.8% to $9.50. Stanline increased 9.1% to $12. Lowe's increased 5.8% to $32.13.

Grossman's increased 4.8% to $11.

Wickes declined 3.1% to $3.88.

(See financial tables pg. 92.)



If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Grossman's earns $2.9M in '86; hits $1B sales mark for first time

By an NHCN staff editor

BRAINTREE, Mass. — Grossman's Inc. earned $2,925,000 from its continuing operations, or 15 cents per share, in fiscal 1986 on sales of $1,006,664,000, the first time the company has hit the billion-dollar volume mark.

This income figure from the businesses the company is continuing to grow compares favorably to the loss of $3,420,000 incurred in 1985 on sales of $875,586,000, which were off 6.8%.

Grossman's last month released up-to-date annual sales and earnings numbers essentially for the first time in two years. And these figures represent its first public financial accounting since emerging from Evans Products' Chapter 11 proceedings last November. The newly formed Grossman's was scheduled to release its 10-K filing with the Securities and Exchange Commission within the month.

The numbers released by the company include sales and earnings from its Grossman's, Moore's, Hubbard & Johnson, Bargain Outlet Grossman's Warehouse units. Figures from its Lindsley operation have been factored out of the company's financial reporting for the past three years.

GROSSMAN'S AT A GLANCE

All figures show dollars in millions except store count and EPS

Sales

	Income from continuing oper.	Earnings (¢) per share	Store count
'84	38.9	NA	306
'85	(3.3)	(.17)	276
'86	2.92	.15	272

Source: Grossman's

NOTE: Nos. exclude sales and earnings from Lindsley stores

For the quarter ended December 31, 1986, Grossman's lost $1,791,000, or 9 cents a share, from continuing operations on sales of $242,909,000, which were up 7.6%. This compares to continuing operations income for the same quarter in 1985 of $2.3 million.

According to senior vp-administration Stanley Berman the recent quarterly earnings loss was primarily attributable to Grossman's paying $2.5 million of the $2.9 million it owed in income tax for the year in the last quarter of 1986.

"We simply underestimated the kinds of sales and earnings we were going to have when we projected that quarter," he

(Continued on page 93)

Depot tests store 'project' cards in Fla.

By Suzanne Floyd
NHCN staff editor

ATLANTA — The Home Depot is testing a credit card in seven Florida stores.

Ron Brill, chief financial officer for the 50-unit chain here, told *NHCN* that the test of its "Project Card" began in December in Orlando, Tampa and St. Petersburg, Fla. He expects a decision will be made in April as to whether the card will be expanded chainwide.

Brill declined comment on the number of applications Home Depot has received. But individual store managers, while not able to provide actual tallies, said that the card is being met with enthusiasm by their customers.

The Project Card is free to Home Depot customers with no minimum purchase requirement. As a promotion for the card, Home Depot is offering customers a 10% discount on their first transaction with the Project Card.

As a result, the average ticket for a card transaction is $100 for one of the test stores, according to its manager, who added that this figure will probably go down after the card has been in use awhile.

Brill explained that the card was being tested in Florida because "Home Depot has a good market share there and Florida is a representative area."

The Project Card is being handled by branches of the Southeast Bank of Miami, one manager confirmed. Finance charges, assessed monthly, are at an annual rate of 18%.

An Orlando store manager said that the card was receiving an "excellent response" in his store. "Other managers I've spoken with feel just as positive," he added.

Aimed at builders

He indicated that the card is good for "the small repairman as well as remodelers and contractors."

Another manager agreed that "the card would be beneficial to the motel or apartment building owner."

(Continued on page 94)

Hechinger to add decorator services

By Wyatt Kash
NHCN Editor

LANDOVER, Md. — Hechinger is rolling out a new interior decorating service department in all of its future stores, as part of broader refinements being made in its merchandising presentation.

With 12 to 14 new stores slated to open this fiscal year, the new service department could become a significant part of the chain's approach to home decorating retailing within a short period of time.

The 61-unit home center chain currently has four new stores, typically 70,000 sq. ft., now featuring the new service department: in Fredericksburg, Va., Fayetteville, N.C., Greenville, S.C., and Southdale, Md.

The four stores also showcase two other significant design revisions for Hechinger:

- A new store color scheme, combining "high-tech" grey and "Chinese" red. The grey is embodied in the fixtures and display shelves; the bright red accents the store in the form of hanging banners and department signing. Even the Hechinger logo emblazed outside on the store front and employee name badges are now embossed in red, in contrast to the traditional "Hechinger blue";
- An upscaled housewares department. The department now features higher-end "cookery" among other goods, and a new presentation using island platforms of "high-tech" metal grids, highlighted by hanging wide-brim red lamps.

Among all these changes, though, the new interior decorating department represents

(Continued on page 93)

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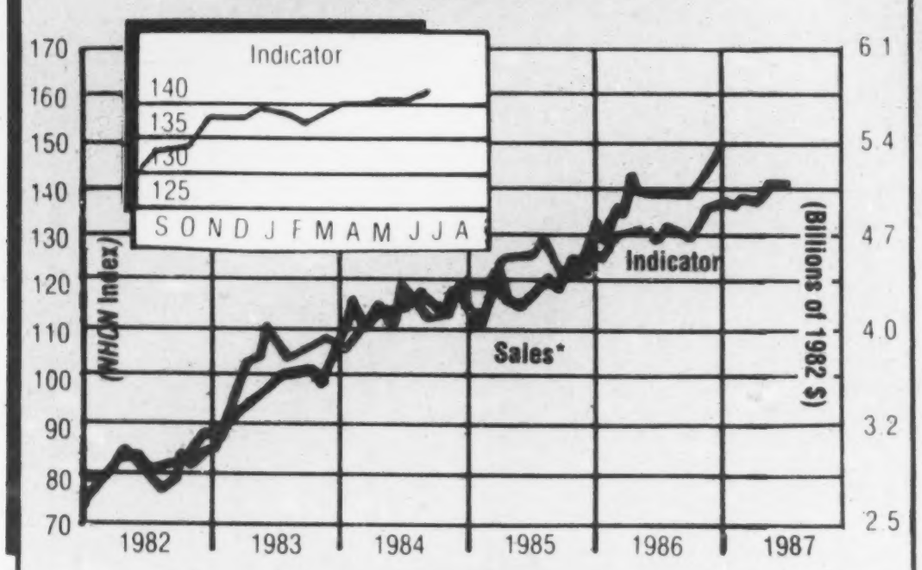


*—Monthly retail trade building materials, hardware and supplies in (1982 $).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986, although they fell in January. Single-family housing starts will remain near 1.2 million units as interest rates decline.

New England sales expected to increase ten percent in '87

By Richard E. Mount
Special to NHCN

Building material sales in New England will increase 10% in 1987, almost 5.5% in unit volume. This will be slightly less than the 11% dollar gain expected for the nation. Nineteen eighty-seven will mark a year of transition for sales in New England as growth will be far below the 27% unit surge in 1986 when the region was the fastest-growing market in the nation.

New England is slowing from the rapid growth it experienced in the early stages of the recovery. Employment gains in late 1986 were running 2% ahead of the prior year's pace. In 1985 it was closer to 3% and, in 1984, 5%.

Richard E. Mount

While New England will not face an economic decline in 1987, employment gains are likely to be only 1% and will pressure incomes, housing demand and building material sales.

Connecticut has the highest defense spending per capita in the nation. Spending will slow in 1987 from Gramm-Rudman restrictions.

Maine employment will improve marginally. The fall in the dollar will increase lumber and paper production.

Massachusetts and New Hampshire are pressured by weakness in high-tech. While this sector will turn around in 1987, shortages of

(Continued on page 32)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		123.4	124.7	127.9	132.1	137.1	138.6	140.2	143.4	118.5	130.3	141.0
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	56,976	61,180	62,580	62,956	63,444	65,641	67,753	70,172	53,841	62,540	69,259
	New England	3,477	3,492	3,854	4,210	3,908	4,030	4,147	4,288	3,038	3,866	4,237
	Middle Atlantic	8,306	8,324	8,926	9,261	8,781	9,058	9,330	9,635	7,269	8,823	9,522
	East North Central	9,048	8,096	9,699	10,014	10,132	10,535	10,908	11,326	8,381	9,485	11,162
	West North Central	4,000	3,541	4,049	4,413	4,384	4,523	4,661	4,828	3,747	4,097	4,770
	South Atlantic	11,837	13,871	13,442	12,394	13,222	13,693	14,154	14,680	11,262	13,232	14,476
	East South Central	3,182	3,513	3,633	3,757	3,800	3,984	4,133	4,309	2,964	3,676	4,238
	West South Central	6,041	6,817	6,355	5,975	6,167	6,354	6,531	6,751	6,090	6,328	6,672
	Mountain	2,763	3,256	2,962	2,997	3,115	3,223	3,320	3,431	2,674	3,083	3,390
	Pacific	8,322	10,269	9,659	10,087	9,935	10,240	10,570	10,926	8,377	9,988	10,792
Constant	**Millions $1982 SAAR Total United States**	53,749	57,422	60,401	59,924	59,128	60,570	61,900	63,475	51,035	59,219	62,936
	New England	3,280	3,460	3,781	3,733	3,642	3,719	3,788	3,878	2,882	3,654	3,850
	Middle Atlantic	7,836	7,916	8,450	8,317	8,183	8,359	8,524	8,715	6,894	8,217	8,653
	East North Central	8,536	9,193	9,568	9,522	9,443	9,721	9,966	10,245	7,950	9,431	10,143
	West North Central	3,773	4,104	4,210	4,165	4,086	4,173	4,259	4,367	3,554	4,141	4,335
	South Atlantic	11,167	11,613	12,521	12,452	12,322	12,635	12,931	13,279	10,682	12,227	13,154
	East South Central	3,002	3,266	3,533	3,542	3,542	3,677	3,776	3,897	2,812	3,471	3,851
	West South Central	5,699	6,221	6,040	5,932	5,747	5,863	5,967	6,106	5,777	5,985	6,063
	Mountain	2,607	2,800	2,929	2,930	2,903	2,974	3,033	3,104	2,536	2,891	3,081
	Pacific	7,851	8,849	9,368	9,350	9,259	9,449	9,656	9,883	7,946	9,202	9,807
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	6.10	6.03	6.26	6.23	6.16	6.14	6.12	6.11	5.65	6.17	6.12
	Middle Atlantic	14.58	13.79	13.99	13.88	13.84	13.80	13.77	13.73	13.51	13.88	13.75
	East North Central	15.88	16.01	15.84	15.89	15.97	16.05	16.10	16.14	15.58	15.93	16.12
	West North Central	7.02	7.15	6.97	6.95	6.91	6.89	6.88	6.88	6.96	6.99	6.89
	South Atlantic	20.78	20.22	20.73	20.78	20.84	20.86	20.89	20.92	20.93	20.65	20.90
	East South Central	5.58	5.69	5.85	5.91	5.99	6.07	6.10	6.14	5.51	5.86	6.12
	West South Central	10.60	10.83	10.00	9.90	9.72	9.68	9.64	9.62	11.32	10.11	9.63
	Mountain	4.85	4.88	4.85	4.89	4.91	4.91	4.90	4.89	4.97	4.88	4.89
	Pacific	14.61	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	88.6	92.7	91.1	93.9	95.8	92.4	91.1	90.9	88.5	93.0	91.6
	Cement	99.8	121.2	108.7	105.6	108.2	107.9	106.5	105.2	105.7	111.3	106.4
	Gypsum Wallboard	132.4	132.8	133.7	132.3	134.5	134.6	134.2	133.1	126.4	133.3	133.9
	Hardware	99.4	99.8	102.1	103.5	101.7	104.5	103.9	103.2	100.9	102.5	103.8
	Lumber Products	125.7	128.0	132.8	134.1	134.2	127.5	126.7	126.1	122.9	131.4	126.7
	Paint	100.2	100.6	103.0	100.1	93.8	107.2	107.9	108.4	101.9	102.9	108.1
	Plywood	142.9	149.6	161.4	164.3	158.2	157.2	156.2	154.4	138.7	157.3	152.4

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
February 3, 1987

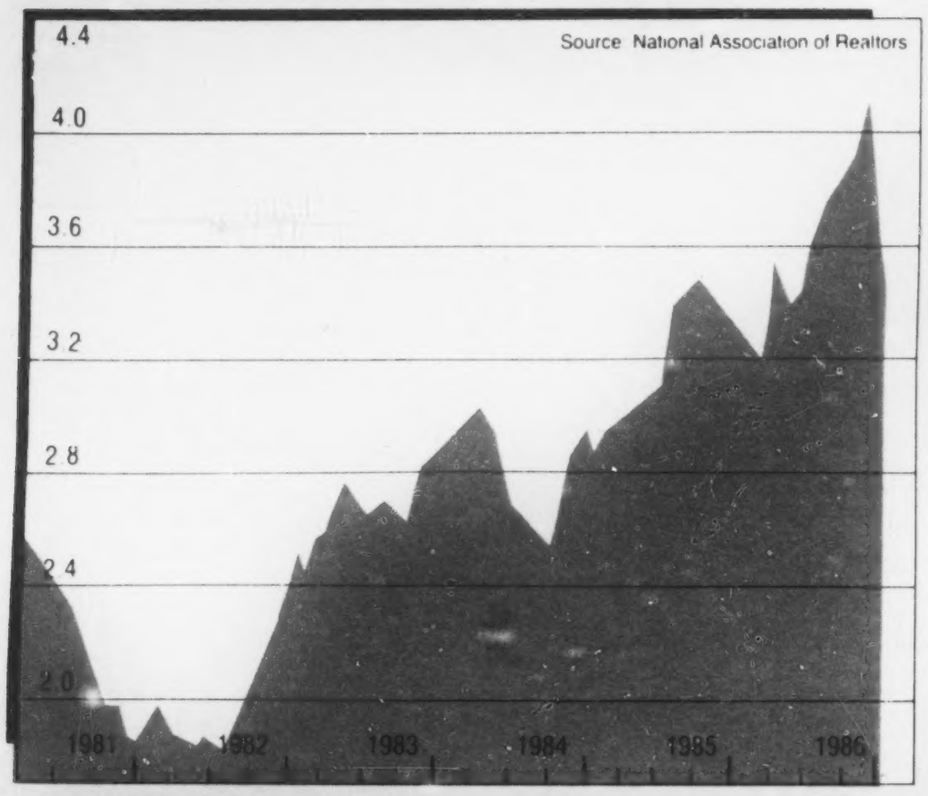
The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

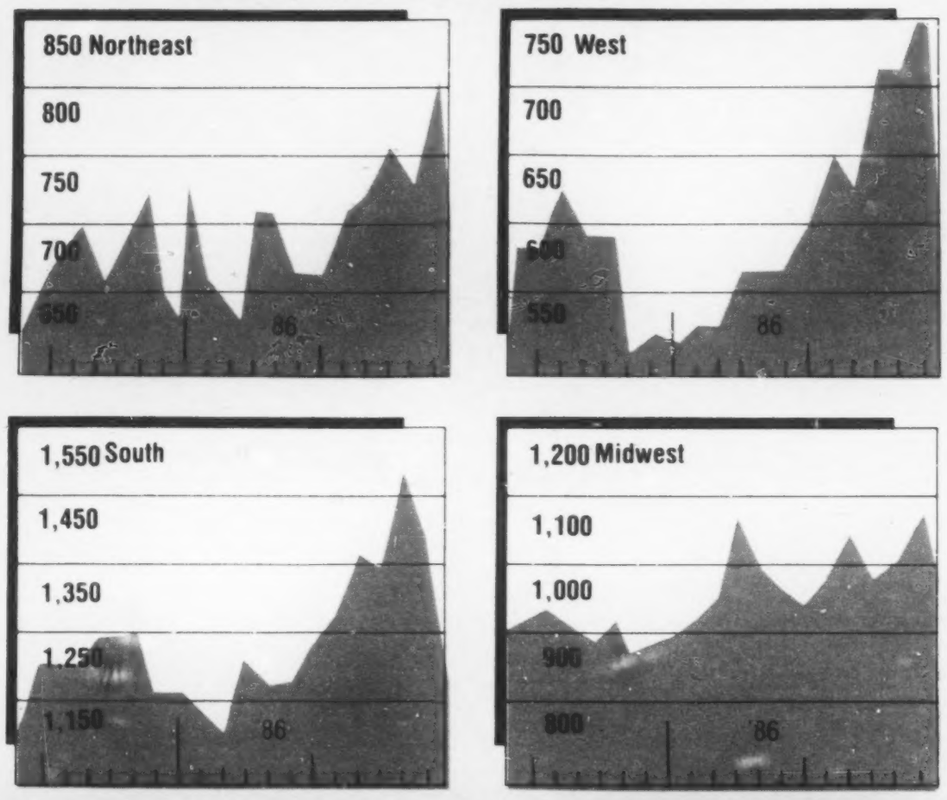
National existing single-family home sales

Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales

Seasonally adjusted annual rate (in thousands of units)



Resale pace drops 14.5% in January

By an NHCN staff editor

NATIONAL REPORT — The resale home pace plummeted 14.5% in January to a seasonally adjusted 3.47 million units, according to the National Association of Realtors (NAR).

The monthly decline was expected since December's record-breaking pace of 4.06 million units was inflated from buyers scrambling to complete transactions under the old tax law, NAR economists explained.

Compared to those of January 1986, home resales were up 4.2%. NAR economists are predicting that 1987 will be a good year for home sales, especially since mortgage rates are still expected to remain fairly low.

In fact, resale homes should be 3.6 million units, which would top last year's 3.5 million homes.

The West bore the brunt of the January slowdown. The resale rate fell 25% from December, to an annualized 570,000 units. But activity was still 5.6% ahead of January 1986.

Median Sale Price

(in thousands of dollars)

	Jan.[p]	Dec.[r]	Nov.	Oct.
U.S.	$ 82.4	$ 80.8	$ 80.4	$ 79.4
Northeast	109.4	109.3	106.4	106.4
South	78.9	75.4	76.3	75.9
Midwest	65.6	62.7	63.5	61.1
West	100.3	103.5	102.4	101.7

[p]-preliminary [r]-revised
Source: National Association of Realtors

The Northeast recorded a 17.3% sales decline from December, to 670,000 units. It was the only region to post a drop in activity from last year, down 4.3%, a by-product of the region's severe winter weather.

Home prices here, however, continued their upward spiral, rising $100 to a median $109,400, the highest in the nation.

Nationally, the median-priced single-family resale home cost $82,400 in January, up $1,600 from December and 6.9% from a year ago.

Only the West recorded a home price decline in January, down $3,200 to $100,300.

Real estate investors turn to retail space

By an NHCN staff editor

NATIONAL REPORT — Real estate investors will turn to retail and industrial space this year instead of office buildings, according to three real estate and asset management specialists.

Both investments are expected to perform well into the future, said Blake Eagle, senior vp and director of real estate for the Frank Russell Co., Tacoma, Wash.; Mike E. Miles, foundation professor of urban development, University of North Carolina-Chapel Hill; and Kenneth Rosen, chairman of the Center for Real Estate and Urban Economics and University of California at Berkley professor.

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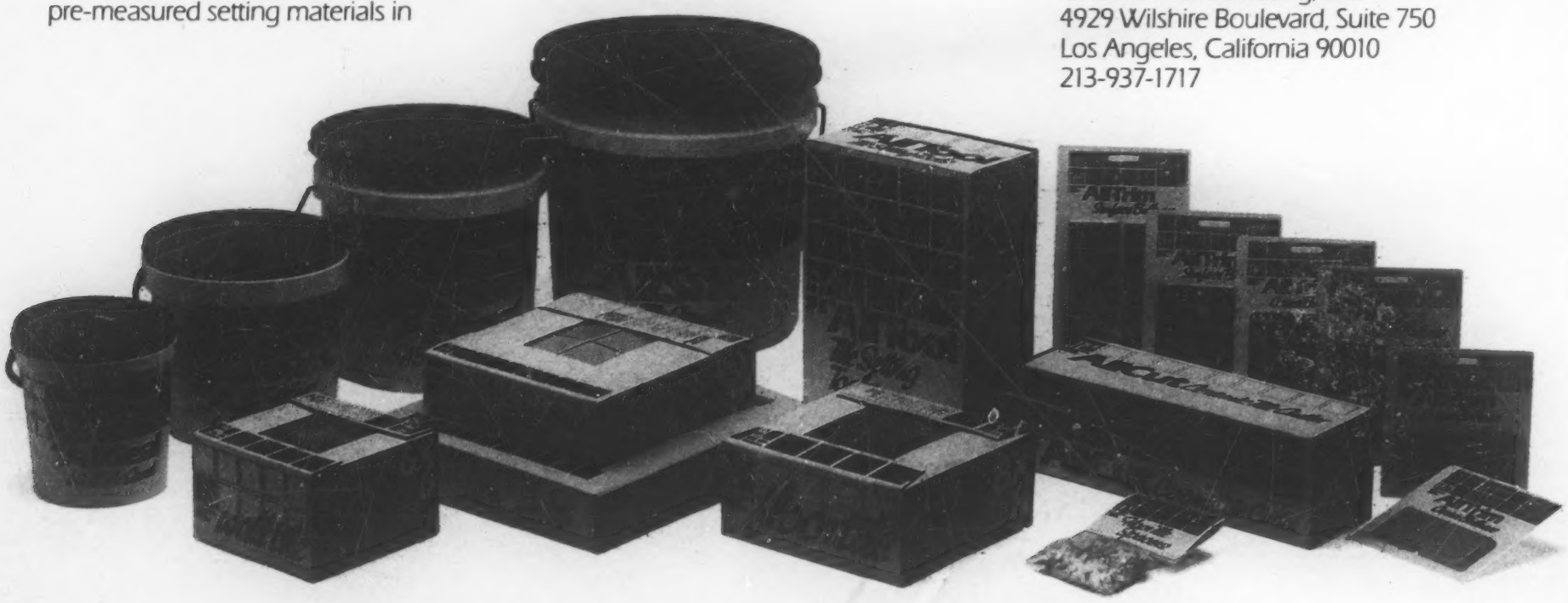

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LUMBER REPORT

Retailer/manufacturer talks yield better product, marketing

By Milford Prewitt
NHCN staff editor

NEW ORLEANS — A series of discussions between retailers and Southern pine manufacturers has purportedly yielded higher quality lumber products and a more focused identification of the Southern pine consumer.

Karl Lindberg, the new president of the Southern Forest Products Association (SFPA), said the result of contacts with large building material retailers and the association's emphasis on identifying future market opportunities have created better run mills, improved manufacturer and retailer relations and an industrywide emphasis by manufacturers for quality.

At the heart of the quality drive is a commitment to make lumber that looks better to DIY shoppers, especially those looking for treated lumber. Treated lumber, Lindberg said, offers one of the most promising areas for market growth for the industry's products. Lindberg said that between 1983 and 1984, demand for treated lumber for outdoor projects grew by 17%, even though in recent years it has grown by 5% annually.

Retailers such as Home Depot and West Building Materials, both of Atlanta, and Rickel Home Centers in South Plainfield, N.J., convinced the industry that something had to be done about the poor appearance and quality of Southern pine, Lindberg said.

From a series of sobering investigations that began in 1983 that sought to determine the future profile of Southern pine end users and conferences between retailers and producers, the SFPA launched its ambitious "Marketing Marathon," a five year effort to push Southern pine consumption by more than 1.4 billion bd. ft. by 1990. Lindberg said the downturn in the economy in the early 1980's and the housing recession stimulated the producers' resolve to explore new markets and tap retailers' insights.

Quality and the appearance of the products had to be overcome. For the treated wood segment, which makes up 35% of all Southern forest production, the wane problem emerged as the most cited physical defect of Southern yellow pine.

For decades "waning"—a defect in dimensional lumber in which corners are accidentally chipped off in the manufacturing process, leaving a lengthy unsightly scar along the face of the board—had been accepted by producers and some builders because most studs and boards were rarely seen by DIYers. With more than 72% of the Southern pine industry's production destined for residential housing, defects were hidden by wall paneling and flooring systems.

But the hunger for treated lumber and the retailers growing refusal to carry products with wane, forced the manufacturers to change their habits.

> "Thirty-five percent of all Southern pine production is treated, and a lot of that is for the DIY trade. These customers don't care what species it is, don't care how strong it is, but they certainly care about how it looks."
>
> —**Karl Lindberg,** *president, Southern Forest Products Association*

"Thirty-five percent of all Southern pine production is treated and a lot of that is for the DIY trade," Lindberg said. "These customers don't care what species it is, don't care how strong it is, but they certainly care about how it looks.

"When he gets to the store and there is a piece of material with wane half of the length of the face, he pulls that off the pile and pitches it until he finds one that looks good.

"So the bottom line became that if you are going to service the treated market, you've got to have a good looking product."

It was retailers such as George Noel, former lumber buyer of Rickel Home Centers, who drove the point in vividly for manufacturers. Lindberg recalled Noel telling members of the association in 1985 that: "If I have any problem with your product, you don't sell me anymore."

Noel, who resigned from Rickel four to five months ago, could not be located for comment.

But the pronouncement had a jarring effect on the producers and forced them to think both quality and to figure out who made up their customers.

"We had been producing studs and other items for 30 years and all of sudden the market has changed," Lindberg said. "If you were going to a wholesaler or some other means of distribution rather than direct, you didn't know who your customers were unless you started talking to them.

"All of a sudden someone tells you your customer is different out there. They don't want that wane."

The first step was a simple manufacturing innovation that reduced the frequency and size of waning by adjusting edge optimizers, devices in the mill that controlled the length of the wane.

Lindberg said the thrust to produce better-quality products became even more important during the housing recovery when some quarters argued Southern pine lacked the structural quality of white woods, the Douglas firs and hem firs, from the Pacific Northwest and Canada.

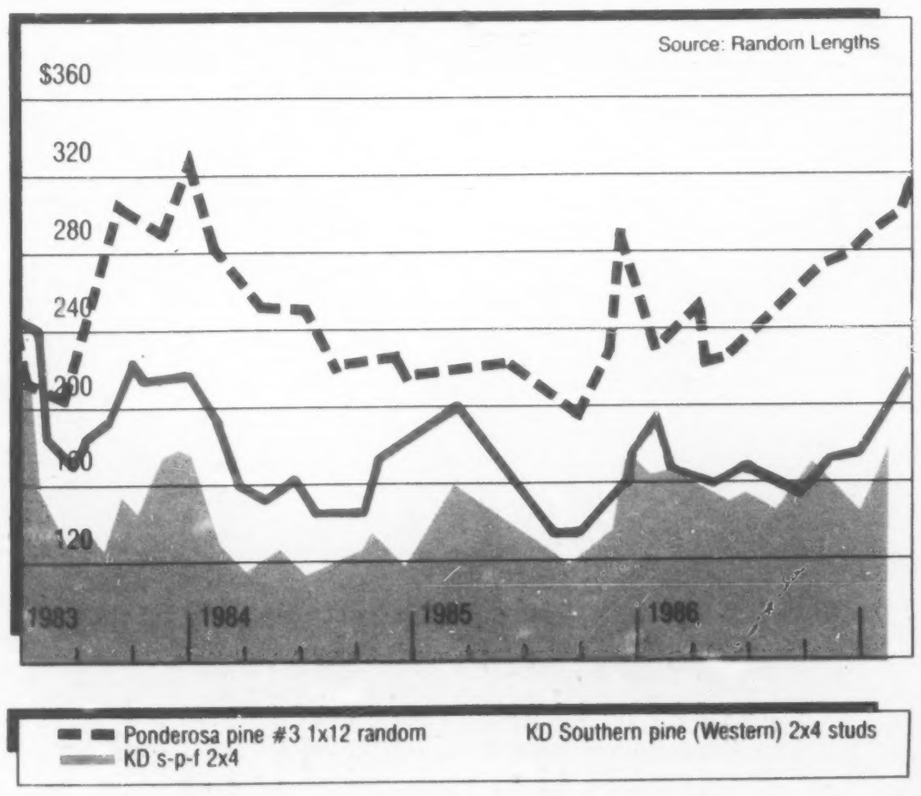
Although he acknowledged that Douglas fir's cellular composition makes it less likely to shatter and is lighter to ship, Lindberg said white woods cannot be treated, therefore Southern pine manufacturers have an exclusive hold on that market.

The push to produce higher quality, better looking treated lumber is just one of three areas the industry is studying to expand their markets, Lindberg said.

Among the other key areas are engineered truss systems for small office buildings and wood floor systems as a replacement to concrete slabs in the South.

Commodity close-up

Studs and Boards
Average mill monthly prices



Perspectives

DEALERS INVESTIGATE NEW MEDIA TO GET AD MESSAGE ACROSS

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT — Six months ago, ACO, the 55-unit hardware chain, was confronted with the first of four Builders Squares in the Detroit market, and suddenly found its same-store sales dropping.

But ACO fought back with a hard-hitting, $750,000 ad campaign that combined radio, print, TV and outdoor billboard promotions. "We used a multimedia campaign to create synergy," said Heben Noseworthy, ACO's president. "We saw a significant increase in sales and still are."

Encouraged by this success, ACO is following up this spring with a $1.5 million promotion on top of its regular ad spending, with most of the funding coming from 50 vendors.

This kind of flexibility in ad spending—where dealers go beyond the print media to boost sales—is becoming common among home centers. Dealers are particularly keen on searching for alternatives to run-of-press (ROP) advertising, which appears to be falling out of favor with some companies.

Print still dominant

No matter what media mix retailers favor, print still forms the foundation for most ad campaigns. Retailers interviewed allocated at least three-quarters of their total ad budgets to print last year, with circulars taking the lion's share.

Ernst Home & Nursery Centers in Seattle is doubling the frequency of its circulars by distributing them every two weeks. Last December, Ernst tested putting out circulars on Wednesdays and then on Saturdays in all markets; store sales shot up between 30% and 40%, according to Tim Lucia, senior vp-marketing for the 73-unit chain.

Quick reaction needed

Despite what print means to most chains' sales growth, most companies will use research to determine just how effective this medium is. And, it seems, they are finding that they need the flexibility to switch quickly to other advertising vehicles to respond to market conditions.

One east coast chain, which asked not to to be named, switches to direct mail pieces when it doesn't achieve its goal of 75% to 85% market penetration with newspaper inserts. Builders Square found that its ROP ads weren't cutting muster. So it siphoned off money from this part of its ad budget, and combined those dollars with money from vendors, to fund more than 20 direct mailers in 1987, according to Jud Walford, the San Antonio chain's executive vp.

Babcock Building Supplies, the eight-unit chain in Melbourne, Fla., changed its drop date for circular distribution to Saturdays for better penetration. Babcock now spends less than 2% of its print advertising on ROP because of the difficulties in getting the newspaper positioning it desires.

"We kept ending up in the Sports section, and [we] don't want to reach only men," said ad director Linda Hill. "We put money into our circulars, which we can control better."

Orchard Supply Hardware took more drastic steps recently to gain control over the positioning of its ads in the Fresno, Calif., market.

The San Jose, Calif.-based chain withdrew its total ROP advertising for three months, worth $50,000, and funneled these funds into radio, according to vp-marketing Joe DiRocco. It eventually got the positioning it wanted.

Expenditures vs. sales growth

In developing media flexibility, the biggest complaint dealers have is being able to justify ad dollars spent for electronic media with proof of increased sales.

This connection is sometimes so murky that a chain like Anderson Lumber discovered that its radio ads supporting its circulars weren't working only by accident.

"Sometimes the radio stations didn't get the information to run the spot, so we would skip a month of advertising," said Hudson England, vp-merchandising for the Ogden, Utah, company. "We found out [afterwards] that it didn't make much difference whether we ran radio or not."

The 25-unit chain has since cut back its allocation for radio to 5% of total ad expenditures from 10%.

Yet, in spite of the difficulties in measuring how effectively electronic advertising generates increased business, retailers continue to channel more dollars into radio and TV. They agree that these media broaden their market reach and communicate messages about service that print just can't get across to consumers.

Hancock Lumber in Casco, Me., increased its electronic ad budget by 43% for 1987 over the previous year to communicate its new message "Our people make the difference."

Lindsley Home Decorating Centers in Miami will use TV advertising to convey its new upscale image and emphasis on furniture, lawn and garden and decorative products. The 20-unit chain will jack up its dollars spent on electronic media to 30% of its total ad budget this year from 18.7% in 1986 and 10% in 1985.

And Lowe's will increase TV advertising in mid-1987 in markets like Columbia, S.C., where new store open-

New study forecasts increase in consumer ad spending

By an NHCN staff editor

NATIONAL REPORT — Home centers will increase their consumer advertising spending from 2.3% to 2.6% of total dollar sales in 1987, according to recent research conducted by *Chain Store Age Executive*, a monthly business magazine.

Six areas of retailing surveyed

The study was an examination of consumer advertising spending and media choices among chains and specialty stores for fiscal years 1985 to 1987. Its sample of 180 interviews was drawn equally from six different retailing fields, home centers; discount stores; drug stores; apparel specialty stores; supermarkets and department stores.

Department stores spent the highest chunk of their revenues on advertising in all three years, with 3.5% of its total dollar sales going for promotions.

Discount stores ranked second, spending 2.8% of sales on ads in 1986 and projected to increase that total to 2.9% in 1987.

Home centers placed fourth by spending 2.3% of sales on ads last year. If the home centers meet projections and allocate 2.6% of revenues on advertising this year, they would rank third among the retail operations tracked in the study.

Fifty-seven percent of those home centers interviewed increased actual dollars spent on advertising in 1986. These companies spent an average of 5.3% more in 1986 than in 1985 and expected to increase this by another 7.8% in 1987.

The major reasons cited for this increase in ad spending were a change in marketing strategy and the opening of new stores in existing markets.

Corporate involvement tracked

The survey also recorded the level of corporate involvement in setting ad budgets and determining media spending. The ceo/president tended to be more involved in setting the budget than in selecting the media, which was left largely to the vp/director of advertising.

Home centers were noticeable among the retailing groups for the level of involvement of the vp/director of merchandising in setting ad budgets, with 53% of those surveyed reporting that the merchandising director was very involved.

The vp/director of advertising was more involved in selecting the consumer advertising media than any other job title.

Home centers continue to spend over half of their ad budgets on newspaper and magazine advertising, in common with other retailing groups. However, ad spending in this category dipped over the three years period from 55.4% in 1985 to a projected 53.5% in 1987.

Direct mail ads rise

In 1986 the only medium to show an increase in consumer advertising dollars by home centers was direct mail, which rose from 28.6% of total ad spending in 1985 to 19.2% in 1986. This is expected to fall slightly this year to 28.7%.

Home centers spent slightly less on TV advertising in 1986 declining from 8.0% in 1985 to 7.4% in 1986. This is projected to increase to 8.6% of total ad dollars in 1987.

Home centers ranked fourth in television ad spending among all retail groups in 1986 with supermarkets ranked first, followed by department and discount stores.

Radio ad spending by home centers remained fairly steady over the three-year period. Home centers ranked third behind supermarkets and apparel stores for the proportions of ad dollars spent on radio.

Point of purchase in-store advertising is one area in which home centers spent the least amount of any retailing group, with only 1.0% of total ad dollars in 1986 going towards this.

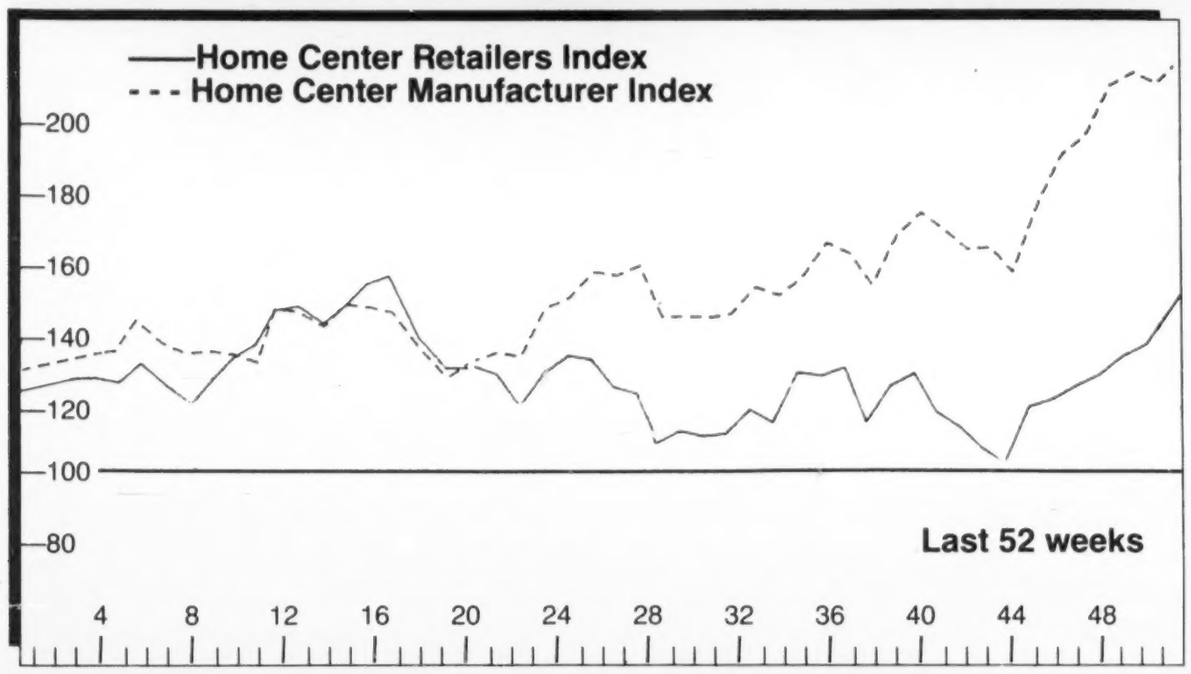
How Retailers Spend Ad Budgets

Figures show percent of ad budget allocated for that medium.

	Department Stores	Discount Stores	Home Centers
Newspapers & Magazines			
1985	55.7	49.0	55.4
1986	54.7	48.4	55.3
1987	54.6	47.3	53.5
Direct Mail			
1985	23.6	28.6	28.6
1986	23.7	29.2	29.2
1987	22.5	30.1	28.7
Television			
1985	12.6	6.8	8.0
1986	13.3	7.7	7.4
1987	13.9	8.3	8.6
Radio			
1985	5.7	8.8	7.3
1986	5.9	7.8	7.2
1987	6.7	7.5	8.3
In-Store			
1985	1.2	4.0	0.6
1986	1.2	4.0	1.0
1987	1.1	3.9	1.0

Source: Chain Store Guide

FINANCIAL NEWS

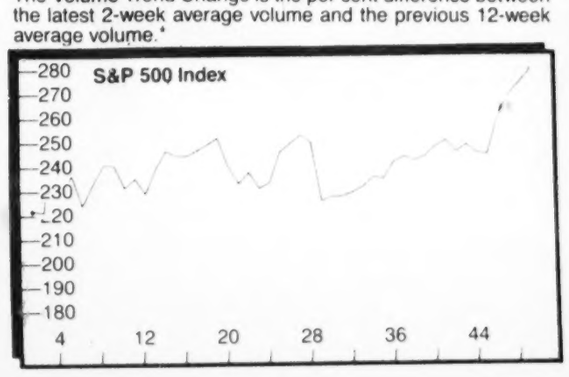


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
3-6-87	(100)	%	%
Am Consum Prods ..... M	2,662	694.8	4.4
Am Woodmark ..... M	3,796	505.5	14.2
Natl Hardgoods ..... M	855	447.2	18.8
Macmillan Bloedel ..... M	7,780	400.0	11.5
Stanley Works ..... N	18,562	312.0	10.4
Manville Cp ..... N	30,115	278.0	9.5
Waxman Ind ..... M	5,016	216.9	- 4.7
La Pacific ..... N	30,894	213.1	5.6
Newell Co ..... N	3,319	184.3	9.8
Supermkts Gen ..... N	26,251	169.2	1.8

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 3-6-87	2-Week Price Change	Total 2-Week Volume
Winners 3-6-87	$	%	(100)
Natl Hardgoods ..... M	9.50	18.8	855
Weyerhaeuser ..... N	57.00	16.3	73,575
Am Woodmark ..... M	16.13	14.2	3,796
Macmillan Bloedel ..... M	53.25	11.5	7,780
Stanley Works ..... N	33.13	10.4	18,562
Georgia-Pacifc ..... N	51.63	9.8	49,754
Newell Co ..... N	34.88	9.8	3,319
Pottatch Cp ..... N	79.25	9.7	2,340
Manville Cp ..... N	2.88	9.5	30,115
Stanline Inc ..... M	12.00	9.1	333
Losers 3-6-87	$	%	(100)
Svc Merchandise ..... M	6.25	- 15.3	29,733
Mich General ..... A	1.13	- 10.0	1,478
Moore Handley ..... M	7.50	- 6.3	501
Black & Decker ..... N	19.63	- 5.4	40,304
Hechinger B ..... M	20.00	- 4.8	379
Hechinger A ..... M	20.00	- 4.8	2,902
Waxman Ind ..... M	12.63	- 4.7	5,016
Emhart Corp ..... N	40.50	- 3.6	5,095
DeSoto Inc ..... N	40.25	- 3.6	512
Natl Lumber ..... M	6.75	- 3.6	1,232

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 3-06-87	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Financial Update: Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter: Revenue Amt.	Revenue Chg.	Net Income Amt.	Net Income Chg.	E.P.S. Amt.	E.P.S. Chg.	Year-to-Date: Revenue Amt.	Revenue Chg.	Net Income Amt.	Net Income Chg.	E.P.S. Amt.	E.P.S. Chg.
3-6-87	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile ..... M	30.00	.00	.0	30.00	30.00	33.00	21.00	2	.00	.09	-100.0	19.0	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent ..... A	39.00	.75	2.0	39.00	38.38	39.38	23.75	26	.03	.10	- 70.0	24.4	.30	.8	.....	9 mos.	10-86	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R ..... N	56.63	1.88	3.4	57.75	53.63	60.75	45.25	19,427	4.68	2.75	70.2	19.3	2.80	4.9	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Grossman's Inc ..... M	11.00	.50	4.8	11.00	10.38	11.00	6.75	3,556	1.78	.95	87.4	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	20.00	- 1.00	- 4.8	21.00	19.75	23.59	16.00	2,902	2.65	2.83	- 6.4	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	20.00	- 1.00	- 4.8	21.00	20.00	23.59	16.25	379	.23	.49	- 53.1	23.3	.06	.3	.....	9 mos.	10-86	149.1	26.0	6.3	14.5	.21	16.7	448.1	23.7	19.6	18.8	.64	14.3
Home Depot ..... N	25.13	.88	3.6	25.75	22.63	25.75	14.25	13,353	5.30	2.74	93.4	34.0	.00	.0	.....	9 mos.	10-86	251.5	41.5	3.9	225.0	.15	275.0	737.6	48.4	16.2	189.3	.63	186.4
INTERCO Inc ..... N	43.00	- .25	- .6	43.38	41.75	47.63	36.63	7,862	2.76	2.29	20.5	13.8	1.60	3.7	.....	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Cp ..... N	59.00	.00	.0	60.00	56.25	60.00	38.38	59,924	4.64	2.25	106.2	25.3	1.48	2.5	.....	9 mos.	10-86	5686.3	8.9	87.3	12.8	.66	10.0	16877.7	7.7	297.3	41.1	2.24	36.6
Lowe's Cos ..... N	32.13	1.75	5.8	32.50	29.63	41.50	22.50	12,516	3.16	1.73	82.7	21.9	.40	1.2	.....	9 mos.	10-86	594.3	8.2	12.5	- 19.9	.31	- 26.2	1786.1	11.8	45.1	- 6.8	1.16	- 12.8
Mich General ..... A	1.13	- .13	- 10.0	1.38	1.00	5.00	1.00	1,478	.83	.74	12.2	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	9.50	1.50	18.8	10.00	9.13	10.00	5.69	855	6.95	1.27	447.2	22.6	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	6.75	- .25	- 3.6	7.50	6.75	7.50	4.00	1,232	2.19	.94	133.0	NE	.00	.0	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	13.00	- .25	- 1.9	13.63	12.50	19.38	9.50	2,609	2.61	2.00	30.5	19.7	.40	3.1	.....	9 mos.	11-86	101.4	17.9	1.9	5.6	.19	5.6	315.2	21.6	5.3	- 23.2	.53	- 23.2
Payless Cash ..... N	24.75	1.00	4.2	25.13	23.00	27.50	15.88	14,529	4.19	1.72	143.6	20.3	.16	.6	NEW	fiscal	11-86	403.5	6.6	11.0	- .9	.31	- 3.1	1525.6	9.9	42.4	11.3	1.22	8.9
Scotty's Inc ..... N	15.13	- .25	- 1.6	15.38	14.75	18.13	12.00	1,838	1.27	.81	56.8	18.7	.52	3.4	.....	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck ..... N	52.38	- 1.13	- 2.1	53.63	50.50	53.75	39.00	107,445	2.88	1.32	118.2	14.5	2.00	3.8	.....	fiscal	12-86	12969.7	7.5	543.0	- 1.7	1.45	- 3.3	44281.5	8.8	1351.3	3.7	3.62	2.5
Svc Merchandise ..... M	6.25	- 1.13	- 15.3	7.38	5.88	15.00	6.25	29,733	8.92	5.11	74.6	NE	.08	1.3	NEW	fiscal	12-86	1114.1	.8	21.9	- 24.7	.66	- 24.1	2527.3	.0	(46.9)	- 100.0	(1.41)	- 100.0
Std Brd Pnt ..... N	23.25	- .50	- 2.1	23.88	22.75	27.00	19.38	2,533	2.24	1.89	18.5	18.9	.58	2.5	.....	9 mos.	10-86	85.9	- 4.6	4.2	5.0	.38	8.6	252.9	- 5.1	12.3	- 13.4	1.09	- 13.5
Supermkts Gen ..... N	34.88	.63	1.8	35.75	33.75	36.50	22.50	26,251	6.81	2.53	169.2	20.5	.28	.8	.....	9 mos.	10-86	1374.7	8.8	9.6	- 60.3	.24	- 29.4	4073.4	8.2	41.8	- .7	1.10	- 6.8
Wickes Cos ..... A	3.88	- .13	- 3.1	4.13	3.75	7.00	3.25	43,350	1.83	1.53	19.6	10.5	.00	.0	.....	9 mos.	10-86	1254.8	- 14.5	33.0	114.3	.15	200.0	3361.7	11.6	69.5	252.8	.30	650.0
Wolohan Lumber ..... M	11.50	.00	.0	12.00	11.50	11.88	7.50	1,686	2.88	1.69	70.4	12.8	.20	1.7	.....	fiscal	12-86	52.5	40.4	1.7	30.8	.29	31.8	194.4	29.0	5.3	51.4	.90	50.0
Zayre Corp ..... N	30.75	.38	1.2	31.25	28.25	43.88	20.75	33,000	5.59	2.49	124.5	21.4	.32	1.0	.....	9 mos.	10-86	1316.4	30.5	22.9	- 15.2	.39	- 15.2	3573.6	32.6	48.6	- 16.5	.82	- 18.0
Wholesalers																													
Moore Handley ..... M	7.50	- .50	- 6.3	8.50	7.50	19.25	6.75	501	2.00	1.37	46.0	14.7	.00	.0	NEW	fiscal	12-86	20.7	19.7	.2	.0	.07	- 36.4	85.1	23.0	1.2	71.4	.51	13.3
Lewis Palmer ..... M	8.75	.38	4.5	8.88	8.13	9.88	7.25	1,539	3.92	1.71	129.2	27.3	.28	3.2	.....	9 mos.	10-86	60.0	50.4	.7	16.7	.17	6.3	140.4	27.2	1.2	50.0	.31	40.9
Stanline Inc ..... M	12.00	1.00	9.1	12.25	9.75	12.13	7.84	333	1.96	.87	125.3	13.0	.32b	2.7	.....	fiscal	10-86	15.9	14.4	.4	.0	.31	40.9	59.7	7.8	1.5	15.4	.92	3.4
Manufacturers																													
Allegheny Int ..... N	15.38	.38	2.5	15.50	14.00	25.25	11.38	2,871	2.67	2.16	23.6	NE	.00	.0	.....	9 mos.	09-86	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Consum Prods ..... M	8.88	.38	4.4	8.88	8.50	9.88	8.50	2,662	13.83	1.74	694.8	16.4	.00	.0	NEW	fiscal	12-86	9.2	13.6	.2	100.0	(.01)	- 100.0	35.0	12.9	.7	133.3	.54	68.8
Am Standard ..... N	48.50	- 1.25	- 2.5	50.00	47.38	50.00	36.00	9,142	2.75	1.30	111.5	9.2	1.60	3.3	.....	fiscal	12-86	769.7	- .6	33.0	- 9.1	1.00	8.7	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark ..... M	16.13	2.00	14.2	16.38	14.13	16.13	10.00	3,796	5.51	.91	505.5	15.8	.00	.0	NEW	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrng Wrld ..... N	39.88	- .38	- .9	40.75	38.50	41.88	24.88	7,975	1.66	1.31	26.7	15.7	.84	2.1	.....	fiscal	12-86	496.4	16.5	30.1	33.2	.63	34.0	1920.3	14.4	122.4	21.3	2.54	21.0
Black & Decker ..... N	19.63	- 1.13	- 5.4	22.00	19.38	25.25	14.50	40,304	6.94	3.05	127.5	42.7	.40	2.0	.....	3 mos.	12-86	529.0	1.4	22.4	7.2	.38	- 7.3	529.0	1.4	22.4	7.2	.38	- 7.3
Boise Cascade ..... N	81.50	5.88	7.8	82.00	74.50	82.00	51.50	17,871	6.13	2.72	125.4	24.5	1.90	2.3	.....	fiscal	12-86	969.3	8.6	31.9	67.9	1.04	70.5	3790.5	1.4	101.5	- 2.7	3.32	- 3.8
Certain-teed ..... N	37.25	- .75	- 2.0	38.00	36.75	38.88	24.63	1,176	.62	.59	5.1	12.3	.90	2.4	.....	fiscal	12-86	268.6	2.6	10.7	2.9	.57	3.6	1114.2	.4	57.3	7.3	3.02	10.6
Champ Intl ..... N	39.63	1.75	4.6	40.38	35.25	40.38	22.50	54,855	5.83	2.59	125.1	19.1	.64	1.6	.....	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc ..... N	40.25	- 1.50	- 3.6	41.50	39.50	43.75	34.25	512	1.07	.68	57.4	49.1	1.40	3.5	.....	fiscal	12-86	77.8	3.0	.4	- 86.2	.09	- 85.0	413.8	2.0	3.9	- 72.5	.82	- 72.4
Emhart Corp ..... N	40.50	- 1.50	- 3.6	43.25	40.13	43.25	30.75	5,095	1.64	1.05	56.2	NE	1.40	3.5	NEW	fiscal	12-86	583.9	20.4	23.4	16.4	.66	- 9.6	2094.0	17.9	(10.0)	- 100.0	(.32)	- 100.0
Genova ..... M	5.19	.06	1.2	5.25	5.13	5.63	4.38	154	.40	.22	81.8	10.4	.10	1.9	NEW	3 mos.	12-86	11.5	19.8	.2	NE	.04	NE	11.5	19.8	.2	NE	.04	NE
Georgia-Pacifc ..... N	51.63	4.63	9.8	52.50	46.50	52.50	28.00	49,754	4.79	2.12	125.9	19.2	1.00	1.9	.....	fiscal	12-86	1781.0	12.0	83.0	2666.7	.75	NE	7223.0	7.5	296.0	67.2	2.69	74.7
Insilco Corp ..... N	25.75	1.50	6.2	26.25	23.88	26.25	17.38	5,913	2.85	2.00	42.5	16.3	1.00b	3.9	.....	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
La Pacific ..... N	38.00	2.00	5.6	38.25	34.00	38.88	22.09	30,894	8.14	2.60	213.1	22.1	.80b	2.1	.....	fiscal	12-86	382.2	22.3	16.8	147.1	.45	150.0	1506.2	19.5	64.9	154.5	1.72	152.9
Macmillan Bloedel ..... M	53.25	5.50	11.5	53.63	46.00	53.25	19.75	7,780	2.50	.50	400.0	NA	1.25	NA	.....	fiscal	12-86	542.2	- 9.9	23.3	14.2	.48	9.1	2511.7	7.5	133.3	210.7	3.21	494.4
Manville Cp ..... N	2.88	.25	9.5	3.50	2.13	8.88	1.63	30,115	12.55	3.32	278.0	1.2	.00	.0	.....	fiscal	12-86	463.1	- 2.4	17.3	- 17.2	.46	- 24.6	1920.3	2.1	81.2	NE	2.34	NE
Masco Corp ..... N	37.63	2.13	6.0	38.00	34.88	38.00	23.50	20,278	1.57	.97	61.9	20.2	.36	1.0	.....	9 mos.	09-86	367.0	NC	51.3	NE	.40	NE	1002.0	123.1	148.0	537.9	1.15	101.8
Mor-Flo Inds ..... M	14.00	.25	1.8	14.00	13.75	19.25	12.00	81	.32	.23	39.1	15.6	.01	.1	.....	9 mos.	09-86	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co ..... N	34.88	3.13	9.8	36.75	31.75	36.75	24.00	3,319	2.90	1.02	184.3	16.1	.84	2.4	.....	fiscal	12-86	105.5	9.2	7.4	34.5	.63	3.3	401.4	14.7	24.0	27.0	2.17	3.8
Owens Corn ..... N	27.13	- .13	- .5	27.75	24.88	28.63	8.88	29,444	7.86	7.26	8.3	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	17.00	- .13	- .7	17.38	16.25	17.38	10.00	2,616	3.26	2.10	55.2	18.5	.12	.7	NEW	fiscal	12-86	57.5	32.2	2.1	90.9	.20	33.3	226.4	36.0	8.1	92.9	.92	39.4
Pope & Talbot ..... N	40.13	1.25	3.2	41.88	38.88	41.88	17.75	2,459	4.10	3.77	8.8	15.3	.88	2.2	.....	fiscal	12-86	60.8	- 18.8	8.4	1300.0	1.40	1300.0	289.1	- 11.1	15.8	135.8	2.63	136.9
Potlatch Cp ..... N	79.25	7.00	9.7	79.25	70.75	79.25	40.88	2,340	1.76	1.24	41.9	15.9	1.68	2.1	.....	fiscal	12-86	243.3	7.0	20.2	359.1	1.45	457.7	976.4	2.7	70.0	85.7	4.98	127.4
Sherwin-Wms ..... N	34.00	- .38	- 1.1	34.38	31.75	35.13	22.75	10,266	2.28	1.24	83.9	14.7	.56	1.6	.....	fiscal	12-86	350.5	- 32.3	36.3	221.2	.81	237.5	1552.9	- 29.2	106.0	42.1	2.31	42.6
SW Forest Ind ..... N	31.75	.38	1.2	31.75	31.25	31.75	11.88	8,591	7.00	8.63	- 18.9	NM	.00	.0	.....	fiscal	12-86	169.9	.4	15.1	NE	1.06	NE	631.5	- 9.8	7.2	NE	.17	NE
Stanley Works ..... N	33.13	3.13	10.4	33.25	28.38	33.50	23.19	18,562	4.45	1.08	312.0	17.8	.76	2.3	.....	fiscal	12-86	256.2	- 20.5	23.5	- 8.6	.54	- 12.9	1371.3	13.5	78.8	.6	1.86	- 2.1
Thos Inds ..... N	20.88	.25	1.2	21.38	20.50	24.31	15.50	1,131	1.14	.73	56.2	16.2	.68b	3.3	.....	fiscal	12-86	75.6	- 2.6	3.2	- 23.8	.32	- 23.8	296.2	- 4.3	12.8	- 21.0	1.29	- 21.8
USG Corp ..... N	40.38	1.13	2.9	40.50	37.00	46.50	32.00	17,399	2.73	1.30	110.0	11.4	1.12	2.8	.....	fiscal	12-86	695.1	9.4	56.4	4.6	.93	13.4	2723.7	7.8	225.4	.7	3.54	5.4
Walter, Jim ..... N	56.38	.88	1.6	57.00	52.75	57.00	39.50	8,432	2.66	1.44	84.7	12.1	1.40	2.5	.....	3 mos.	11-86	595.9	6.0	37.9	19.6	1.17	.9	595.9	6.0	37.9	19.6	1.17	.9
Waxman Ind ..... M	12.63	- .63	- 4.7	13.25	12.38	13.25	6.34	5,016	15.94	5.03	216.9	13.2	.08	.6	.....	3 mos.	09-86	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weverhaeuser ..... N	57.00	8.00	16.3	58.00	46.88	58.00	30.50	73,575	5.64	2.11	167.3	29.8	1.30	2.3	.....	fiscal	12-86	1450.6	17.2	96.1	51.1	.70	62.8	5652.0	8.6	276.7	38.3	1.91	44.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National Home Center News®

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Wickes sells two divisions in strategic move

Wickes British subsidiary sold in mgmt. buyout

By Elizabeth Brent
NHCN staff editor

LONDON — Wickes International, a subsidiary of Wickes Companies, has agreed to sell its 85% interest in its English subsidiary Wickes PLC for £96 million or approximately $155 million.

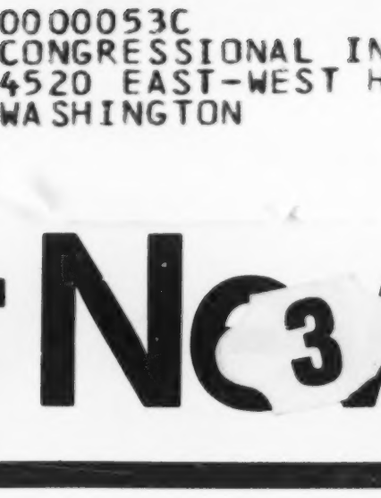
Henry Sweetbaum, chairman and ceo of Wickes PLC, is leading the syndicated buyout. Together with six members of his management team Sweetbaum formed a new corporation, Cityquest PLC, to make the bid, with financing from Investors for Industry, one of the largest venture capital groups in the United Kingdom.

The bid will separate Wickes PLC from Wickes International—essentially a holding company incorporated in Delaware—and will be the second largest takeover bid in British history, according to Sweetbaum. It is expected that Wickes International will realize a gain before taxes of approximately $120 million as a result of the sale.

(Continued on page 87)

NHCN photo

Wickes is selling its 85% interest in its European division to Henry Sweetbaum, the division's chairman, and six employees, for $155 million. Wickes PLC did $230 million from 54 stores last year.



NHCN photo

Paul Hylbert is leading a buyout of Sequoia Supply from Wickes.

Sequoia Supply sold in deal to 35 employees

By Brad Altman
NHCN staff editor

IRVINE, Calif. — A total of 35 employees of Sequoia Supply, the wholesale building materials distributor with 33 warehouses in 23 states, have bought the company from Wickes Cos. for an an undisclosed amount.

Virtually every senior member of the management group of Sequoia Supply is a stockholder in the new company.

Sequoia President and ceo Paul Hylbert said the new owners plan to expand Se-

(Continued on page 87)

Young child dies in freak accident at Builders Square

By an NHCN staff editor

AURORA, Ill. — A 23-month-old child died when a pile of lumber fell on him at a Builders Square store here early last month.

The Aurora Police Department, in suburban Chicago, confirmed that Alex Grabenhofer of Wheaton,

(Continued on page 88)

BMA and Coast to Coast merger collapses

By Laura Liebeck
NHCN staff editor

DENVER, Colo. — The anticipated merger of the dealer division of Builder Marts of America (BMA) with Coast to Coast fell apart in March after months of negotiations.

Representatives from both companies told *NHCN* that complicated legal and tax issues made the merger impossible to complete. BMA and Coast to Coast have not closed the door to future negotiations with each other, however.

Both companies maintain their expansion desires—BMA into hardware and Coast to Coast into lumber and building materials—have not been altered by their inability to consummate this deal.

Coast to Coast and BMA issued a joint statement dated March 17 that said both companies "discontinued their plans to merge the Dealer Division of Builder Marts with Coast to Coast."

Clarence B. Bauknight and Richard Bard, chief executive officers of BMA and Coast to Coast, respectively, said in a prepared statement that "if circumstances change in the future, a business combination could be pursued, but there are no present plans to do so."

In fact, Dan Shimer, vice president and treasurer of Coast to Coast based here, and Thomas L. McAbee, vp-finance of BMA, Greenville, S.C., said that the companies might be able to come together at a future date, although no further talks are planned.

Now each distributor is going in its own direction.

"We continue to aggressively pursue other alternatives," said Shimer, who declined to elaborate further. "Our plans haven't changed."

McAbee said BMA is still interested in taking on some hardware lines, but that it

(Continued on page 87)

Falling dollar boosts interest in U.S. goods at Cologne

By Kenneth Schept
NHCN Editor

COLOGNE, Germany — Within the space of 10 minutes, Dr. Sepp Rottensteiner, international division director of Clairson, explained the virtues of closet organizers to a French importer, an Israeli cabinet maker and East German and Japanese businessmen.

While Dr. Rottensteiner's ability to conduct business in English, Italian, Japanese, German, French and Spanish no doubt had a salutary effect on sales, the weakening U.S. dollar didn't hurt either.

Indeed, for U.S. manufacturers at the 17th annual Cologne hardware fair, the declining dollar was a key to improved interest in their products.

For example, A Zurich importer who last year made a small initial purchase of Sentry safes, this year bought a container of the company's Fire-Safe security files.

"The timing is right for selling American products overseas," said Jim Henderson, international sales manager for Wing Industries, the bifold door and shutter supplier based in Dallas, who was walking the show looking for wholesalers.

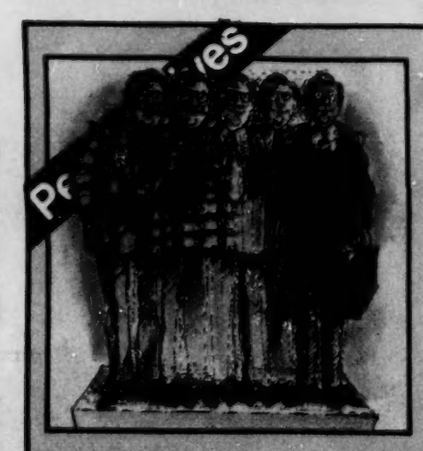
Indeed U.S. participation was up 15% this year, with 62 U.S. firms represented among the 1,969 companies from 42 countries that vied for attention in the 1.4 million square feet of exhibition space, which is divided among six different halls. Show attendance reached 51,000 from 83 countries.

People came to the show to establish contacts; to look for

(Continued on page 88)

U.S. participation was up 15% at this year's Cologne Hardware Fair. There were a total of 1,969 companies from 42 countries at the show, and attendance reached 51,000. NHCN photo

INSIDE



Rep's image changes to one of pro salesman 57

A rep's rep works the floor of the show 59

The European look makes waves in the bathroom 64

Pedestal sink prices and margins begin to plummet 68

NEWSBREAKS

SERVISTAR BOLSTERS COMMODITY MIX: American Hardware Supply, the $850 million co-op whose members use the Servistar moniker, made a new commitment to building products by recently adding 2,000 sku's of building material items to its merchandise mix. Prior to this, the group's 34,000 sku's were all hardlines.

NHMA REINSTATES SUMMER SHOW: Beginning July 1988 the Housewares Assoc. will bring back the summer housewares show it canceled last year.

INDUSTRY UPDATE

Plywood Minn. buys unit

MINNEAPOLIS — Plywood Minnesota has acquired the 40,000-sq.-ft. Warners True Value store in Burnsville, Minn.

Plywood Minnesota will take control of the surrounding land and retail space in April, according to Gerry Boschwitz, vp of the 11-unit Plywood Minnesota chain. It will lease half of the retail space to an unnamed True Value hardware dealer, Boschwitz said.

The Warners unit in Burnsville was the largest of the one-time 23-unit chain owned by Cotter & Company, the industry's largest dealer-owned co-op. Cotter has been selling off the Twin Cities units for the last year. Twelve of the 23 reportedly have been sold.

Moore's adds garden shops

ROANOKE, Va. — Moore's said it would complete the roll out of its garden shop additions to its stores this month when it offers its spring nursery merchandise for 1987.

Last year, the company opened 40 garden shop additions, after experimenting with a few such units in 1985. This month the chain will open another 40 shops.

Three of the firm's 83 stores will not have the garden shops because of space restrictions.

Stier opens second S.C. unit

COLUMBIA, S.C.— Independent Stier Supply opened its second build-to-suit unit in Irmo, S.C., on March 11, just one week after Lowe's opened its 26,000-square-foot store less than a mile away.

In spite of this local competition Stier Supply remains confident that its new 12,000-square-foot store will help it increase its retail sales from 20% to 35% of its mix, according to Jonathan Stier, executive vp.

The store's design is based on the "turnkey" prototype developed by American Hardware Supply for its "ServiStar" dealer-members.

Big Tin Barn to shutter unit

HARLIGEN, Texas — The Big Tin Barn plans to shutter a 20,000-square-foot unit it operated here near the Mexican border.

Benny Brown, president of the five-unit chain, said the Harligen yard once had been one of the company's most lucrative operations. But with the devaluation of the Mexican peso and the continued slump in the oil industry, it became to financially draining.

"That unit was built up on the peso," Brown said. "When Mexican oil was doing well and the Mexican nationals were coming over to shop, it was a good operation down there. "All of that has stopped."

Brown said the company is selling the building, property and inventory, a process that will be concluded by early May. The company announced its intention to liquidate the unit March 1.

HomeClub opens Colo. unit

FULLERTON, Calif. — HomeClub was scheduled to open a 92,000-square-foot warehouse in Englewood, Colo., on April 2, marking the third unit it has opened in the Colorado market since July 1986.

The Englewood outlet is the third HomeClub to open this year. In early March, 30-unit HomeClub debuted 100,000-square-foot units in Lynnwood, Wash., and Stockton, Calif.

Stocks advance strongly

NEW YORK — Stocks of home improvement-related companies advanced strongly during the two-week period ended March 20, with 35 gainers, 15 losers and eight stocks that stayed the same.

Big winners among retailers included Supermarkets General, whose 21 percent price increase was spurred in part by a takeover bid made by the Dart Group; and Home Depot and Wolohan Lumber, each of whose stock rose more than 15 percent. On the supplier side, Allegheny International, another takeover candidate, saw its stock jump 59.3 percent, while MacMillan-Bloedel's price increased 23.2 percent.

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Home improvement mall sold to Canadian-based company

By an NHCN staff editor

CORAL SPRINGS, Fla. — Homeowners Outlet Mall Exchange (HOME), operators of a 110,000-square-foot home improvement mall in Naples, Fla., announced last month that it had been acquired by Eclipse Mining Ltd. of Vancouver, British Columbia.

The purchase price was not disclosed.

HOME president and ceo Walter Bozdech, formerly director of store planning for Mr. HOW, said the agreement was signed on March 13 and should be final in about a month, after customary regulatory approval from Canadian authorities in British Columbia.

Bozdech said he was looking for a buyer to help the company expand.

The new ownership afforded HOME the ability to put together a five-year expansion program that includes opening five outlet malls and 24 specialty stores.

All expansion will be limited to the state of Florida until 1989 when the company starts moving into Alabama, South Georgia and South Mississippi.

Home Owners Outlet Mall Exchange (HOME), Coral Springs, Fla., has a five-year expansion program since the company has a new owner, Eclipse Mining Ltd., Vancouver, British Columbia. NHCN photo

Eclipse Mining, an oil, gas and mining operation that is part of a holding company called the Katen Group, was interested in HOME for its money-making opportunities and as a way of diversifying its holdings, said Victor Muenier, partner.

HOME represents Eclipse Mining's first venture out of oil, gas and mining, and won't

(Continued on page 88)

Hechinger to move into N.Y. area

By an NHCN staff editor

LANDOVER, Md. — Hechinger, the 62-unit retailer headquartered here, announced a two-year expansion program that includes opening 28 new stores in both new and existing markets, half of them this year.

The first of those stores opened recently in Deptford, N.J., in suburban Philadelphia.

Hechinger also will open its second regional distribution center this fall in Charlotte, N.C. It will be approximately 310,000 square feet and carry a cost of $8.7 million, said W. Clark McClelland, senior vp-finance and treasurer.

The new distribution center will serve 17 Hechinger stores initially but has the capacity to handle 30 units, he said.

The expansion program lists possible new store locations in Tennessee, Delaware, New Jersey, Connecticut, Rhode Island, West Virginia and Long Island, N.Y.

McClelland said the Long Island store, the company's first, will open during the second half of this year in the town of Huntington.

The company's expansion program was announced at the same time Hechinger reported that its 1986 sales, ended January 31, rose 23% to $588.4 million. Net earnings increased 22% to $28.3 million, or 92 cents per share, 75 cents per share fully diluted. And comparable store sales rose 8% from 1985.

Fourth quarter sales, also ended January 31, were up 20% to $140.3 million. Net

(Continued on page 87)

Weyerhaeuser funds 'This Old House'

By an NHCN staff editor

NATIONAL REPORT — Next fall Weyerhaeuser will reach eight million TV viewers weekly when it sponsors *This Old House*, the popular remodeling show produced by WGBH.

The Tacoma, Wash.-based forest products company will provide $1.1 million to fund the production and promotion of the show's ninth season.

Weyerhaeuser is gaining a strong marketing tool; *This Old House* was the most-watched PBS program in November 1986, according to A.C. Nielsen.

The company views the sponsorship as a "perfect match."

"We want to talk to the same audience: people with an interest in remodeling their homes and doing it well—getting the best value for their money and personal effort," said Bill Simmonds, vp for repair and remodeling market at Weyerhaeuser Company.

Bob Vila announcing that the ninth season of "This Old House" will be sponsored by Weyerhaeuser. NHCN photo

Weyerhaeuser is taking over sponsorship of the show from Owens-Corning Fiberglas, which was the national underwriter of *This Old House* for six years. The show has be-

(Continued on page 88)

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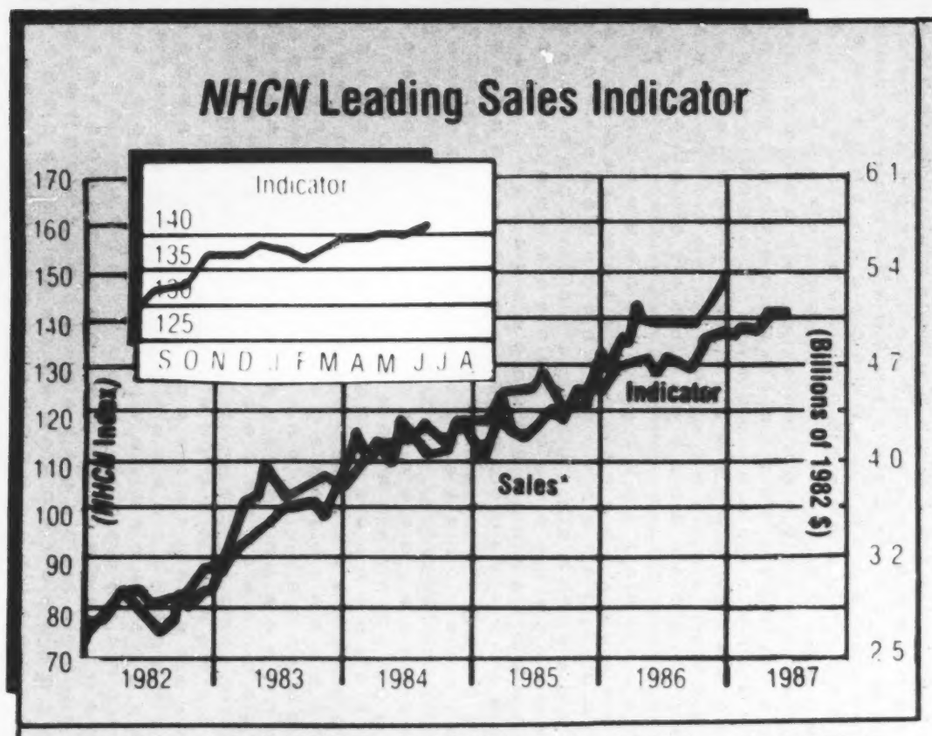
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986, although they fell in January. Single-family housing starts exceeded 1.3 million in February and will remain near 1.2 million units during 1987 as interest rates decline.

Building material sales to rise despite heavy consumer debt

By Richard E. Mount
Special to NHCN

Consumer installment debt is the highest ever, causing many analysts to believe that consumer spending on all products is headed for a decline.

We do not subscribe to this theory, however. Total debt is high, but it will not prevent the 11% rise we continue to anticipate for retail building material sales during 1987.

Richard E. Mount

Past

Total consumer installment credit, as a percent of disposable income, is one of the best benchmarks of consumers' ability to spend in the future. It relates total, nonmortgage borrowings to after-tax income, measuring the ability to meet loan repayments. Historically, it rises during each cyclical expansion, reaching a new high.

But, during recessions, it declines as consumers cut spending on big-ticket items faster than their incomes contract.

Consumers have been willing to take on higher and still higher levels of debt during the post-war years, causing the percent of debt to income to trend upwards.

Demographics increase the number of workers under 45 years of age who borrow more than average, while decreasing the number of workers aged 45 to 65, who tend to save more. The

(Continued on page 47)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1985	1986				1987			1985	1986	1987
		QIV	QI	QII	QIII	QIV	QI	QII	QIII			
***NHCN* Leading Sales Indicator** (January 1980 = 100)		123.4	124.7	127.9	132.1	137.1	138.6	140.2	143.4	118.5	130.4	141.3
General Economic Outlook												
	GNP $1982 Billion	3,622.3	3,655.9	3,661.4	3,686.4	3,798.3	3,721.1	3,738.7	3,762.7	3,585.2	3,700.5	3,753.4
	Real Disposable Income $1982 Bil.	2,540.7	2,581.2	2,625.8	2,605.5	2,596.6	2,617.1	2,627.3	2,642.8	2,528.0	2,602.3	2,636.8
	Housing Permits (000 SAAR)	1,741	1,834	1,822	1,678	1,695	1,625	1,610	1,650	1,733	1,762	1,640
	Housing Starts (000 SAAR)	1,797	1,938	1,878	1,758	1,702	1,800	1,680	1,650	1,742	1,806	1,693
	New Home Sales (000 SAAR)	696	789	794	686	709	715	715	735	688	749	729
	Resales (000 SAAR)	3,500	3,256	3,470	3,615	3,927	3,475	3,500	3,500	3,214	3,565	3,500
	Prime Rate %	9.5	9.4	8.6	7.9	7.5	7.5	7.5	7.3	9.9	8.4	7.4
	Mortgage Rate % (HUD)	11.8	10.8	10.1	10.2	9.7	9.1	8.9	8.7	12.5	10.2	8.9
	Consumer Price Index (1967 = 100)	326.5	327.7	326.3	328.4	330.7	333.8	336.9	340.5	322.1	328.3	338.9
	Producer Price Index (1967 = 100)	296.4	292.1	288.5	288.2	290.0	393.2	296.4	299.7	293.9	289.7	298.1
	New Housing Affordability 1980-100)	120.5	128.6	129.4	126.1	127.8	131.4	133.4	132.6	117.6	128.0	132.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**89,200**	**91,800**	**84,000**	**88,907**	**90,140**	**93,474**	**96,292**	**99,299**	**80,267**	**88,712**	**97,626**
	Maintenance and Repair	39,000	37,700	29,700	38,038	39,107	39,845	40,606	41,461	35,358	36,136	41,040
	Additions and Alterations	30,500	33,900	40,300	33,212	32,684	34,517	35,857	37,515	28,775	35,024	36,534
	Major Replacements	19,600	20,200	14,000	17,656	18,349	19,112	19,829	20,323	16,134	17,551	20,052
Constant	**Total Millions $1982 SAAR**	**81,453**	**83,655**	**74,718**	**78,300**	**70,600**	**80,700**	**82,310**	**84,040**	**74,614**	**78,818**	**83,013**
	Maintenance and Repair	35,653	34,353	26,418	33,500	34,100	34,400	34,710	35,090	32,864	32,093	34,900
	Additions and Alterations	27,882	30,892	35,847	29,250	28,500	29,800	30,650	31,750	26,791	31,122	31,063
	Major Replacements	17,918	18,408	12,453	15,550	16,000	16,500	16,950	17,200	14,959	15,603	17,050
Retail Trade Activity												
Current	**Total $ millions SAAR**	**1,388,316**	**1,404,848**	**1,421,400**	**1,478,632**	**1,478,620**	**1,476,907**	**1,501,555**	**1,524,331**	**1,373,941**	**1,445,875**	**1,511,711**
	Total Minus Automobile	1,082,244	1,094,680	1,098,912	1,112,548	1,123,804	1,135,907	1,155,925	1,177,322	1,061,148	1,107,486	1,165,114
	Building Material, Hardware, Garden Supply, Mobile Home	78,024	83,952	85,316	86,540	87,136	88,829	91,533	94,163	74,062	85,736	92,882
	Building Material and Supply	56,976	61,260	62,580	62,956	64,584	66,076	68,432	70,590	53,841	62,845	69,751
	Hardware	11,572	11,404	11,460	11,832	11,748	12,289	12,522	12,691	11,092	11,611	12,591
Constant	**Total Millions $1982 SAAR**	**1,288,244**	**1,306,486**	**1,337,991**	**1,380,017**	**1,374,182**	**1,359,000**	**1,368,000**	**1,375,000**	**1,282,772**	**1,349,669**	**1,370,250**
	Total Minus Automobile	1,009,867	1,026,722	1,048,913	1,054,219	1,059,193	1,060,000	1,068,000	1,077,000	997,299	1,047,262	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	73,605	78,808	82,347	82,367	81,208	81,966	83,625	85,176	70,215	81,183	84,411
	Building Material and Supply	53,749	57,497	60,401	59,924	60,190	60,790	62,150	63,475	51,035	59,303	63,054
	Hardware	10,918	10,706	11,063	11,262	10,949	11,340	11,440	11,480	10,507	10,995	11,445
	Building Materials % of Total Less Automobile ($Current)	5.26	5.60	5.69	5.66	5.75	5.82	5.92	6.00	5.07	5.67	5.99

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
March 6, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Building material sales to rise despite high debt

(Continued from page 18)
growth in two-income households and an increase in employment in less cyclical industries have reduced the apparent need to save.

Rapid inflation may not be present today, but the buy-now attitudes that it fostered in the 1970s are not gone.

Finally, growth in personal income, over time, has taught consumers that tomorrow's income can pay for today's consumption.

Present

In the current recovery, consumer debt is almost a record 20% of disposable income, up from 16% in 1979, raising fears of a slowdown in consumer spending.

But the bulk of the rise in the debt burden is concentrated in auto purchases. Excluding auto loans, debt is only marginally higher than it was at the last peak (11% versus 10%).

The recent surge in domestic auto promotions encouraged sales, increasing consumer debt faster than income.

This rise in debt would normally herald rising caution on the part of consumers as loan repayments became increasingly difficult. But, these car purchases were often financed at low interest rates, with the loans spread out over a longer repayment schedule. In the mid-1970s, three years was the norm for auto loans, today it is four.

Because of longer repayments and declining interest rates, the increase in the ratio of auto debt to disposable income during the last two years overstates the squeeze on monthly repayments. While the debt burden is high, consumer finances are not that tight.

Future

The rise in the ratio of total consumer debt to disposable income will slow in 1987.

Consumer auto debt will not increase. Domestic auto sales in particular will weaken this year, the promotions of the past leaving consumers in an overbought position.

We expect total car sales to decline from 11.6 million in 1986 to 10.7 in 1987, domestics dropping from 8.4 million last year to 7.3. Disposable income, at the same time, will rise about 5% from the accelerating economy and lower marginal tax rates.

For building material and supply stores, the rise in total consumer debt burdens to record levels will not harm sales as much as in the past.

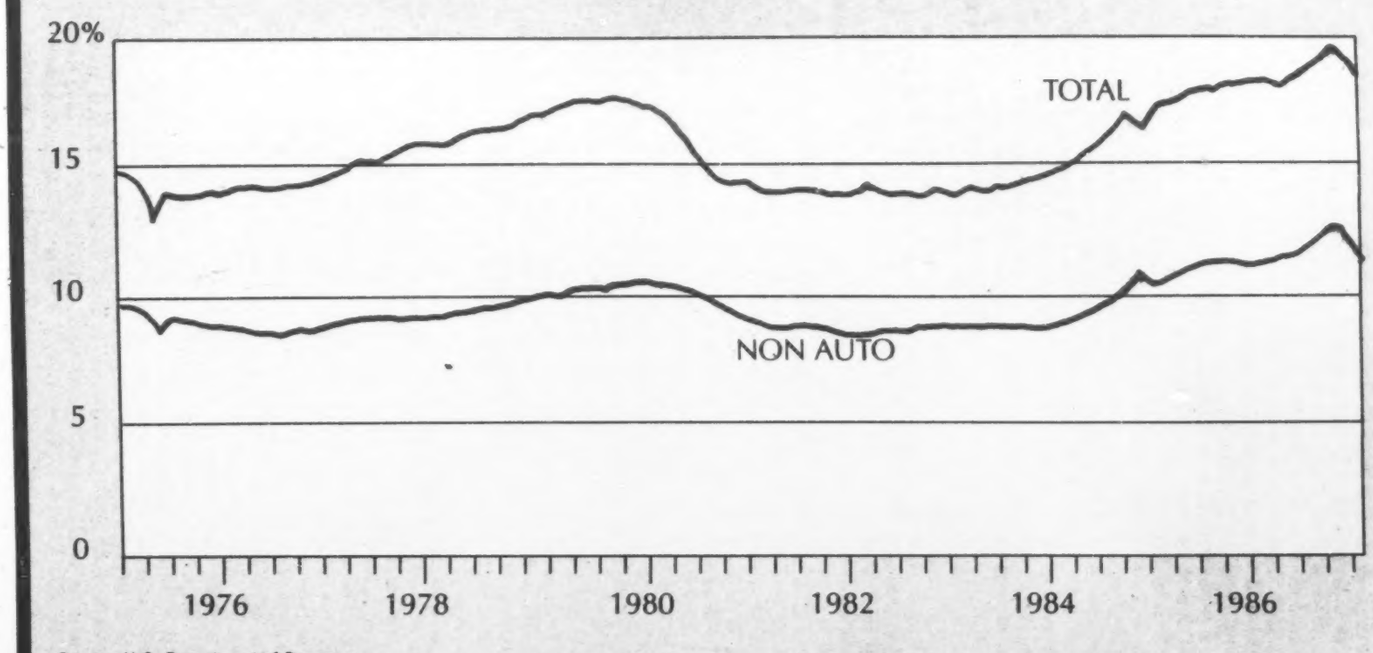
The increase in debt is concentrated in the auto sector. Non-auto debt as a percent of income is up from the last peak, but not by a wide margin.

The strength in resales in the fourth quarter of 1986 and the gains in single-unit starts in the first quarter of 1987 will keep building material demand up.

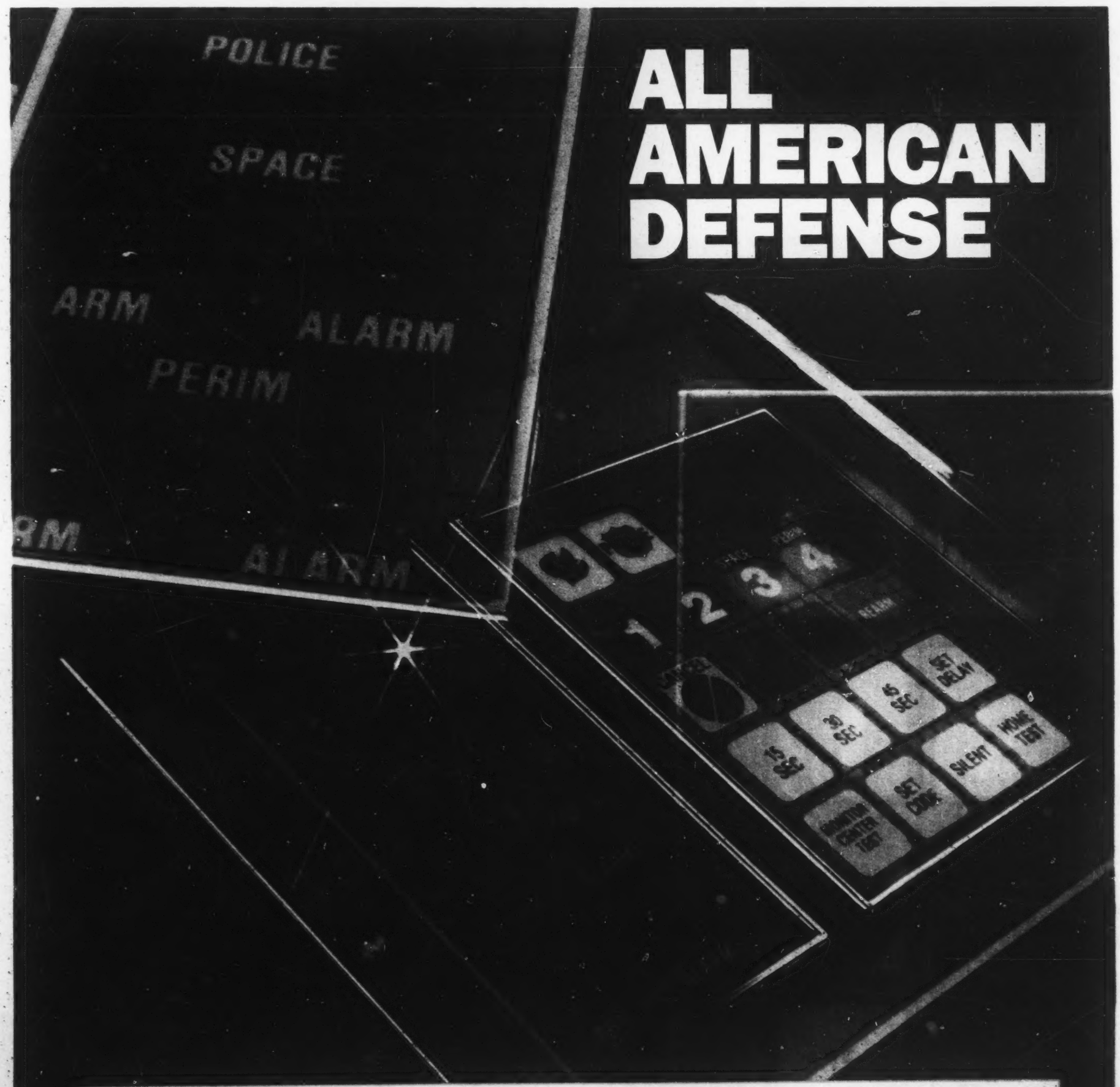
As consumers shift their spending from autos to other areas, building material and supply stores will see an increase of 11% in dollar volume, 6% in unit volume.

Non-auto debt as a percent of income is up, but not by a wide margin . . . The strength in resales in the fourth quarter of 1986 and the gains in single-unit starts in the first quarter of 1987 will keep building material demand up.

Consumer Installment Credit Percent of Disposable income



Source: U.S. Department of Commerce



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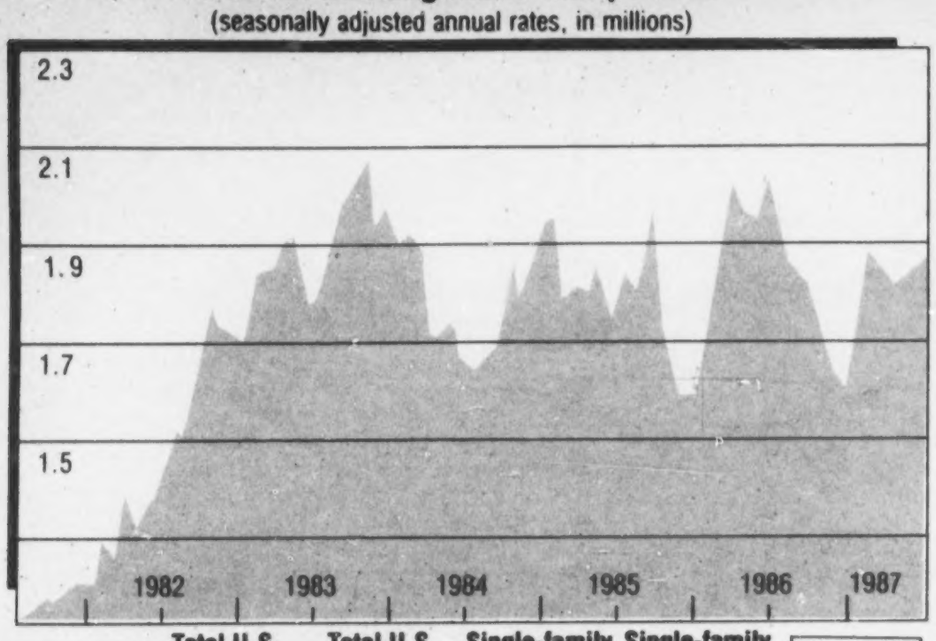
HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

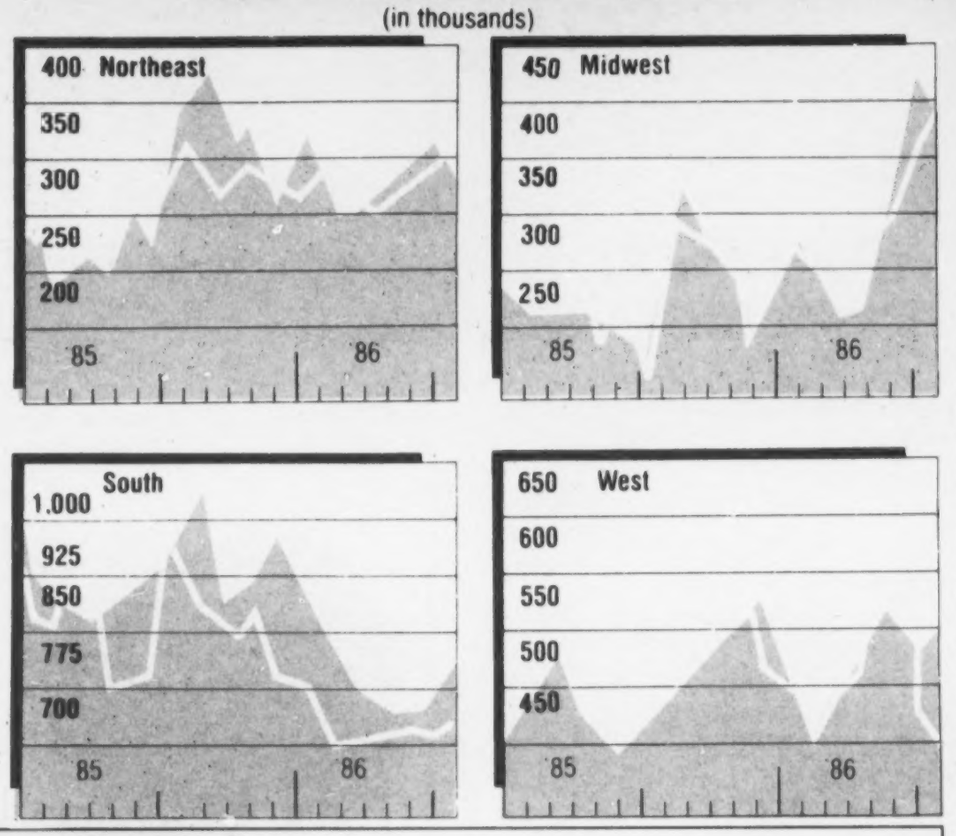


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
Feb. '87	1,815	1,764	1,317	1,235
Jan. '87	1,804	1,690	1,247	1,091
Feb. '86	1,923	1,808	1,183	1,033

Key: Permits, Starts

Source: U.S. Commerce Department

Regional housing starts and permits
(in thousands)



Starts hit 1.8M units in February

NATIONAL REPORT — Housing starts continued their strong pace in February, rising 2.6% to a seasonally adjusted annual rate of 1.85 million units, the U.S. Commerce Department reported.

It was the third consecutive month that housing activity exceeded 1.8 million units.

At the same time, single-family starts surged 5.6% to 1.3 million units, the strongest showing since February 1984 when the pace hit 1.44 million units.

Compared to February 1986, total starts were down 3.7% and one-family starts were up 11.3%.

Permits up

Housing permits rose 4.4% in February to an annualized 1.76 million units, 2.4% below last year. And single-family permits jumped 13.2% in February, to 1.2 million units, up 19.6% from a year ago.

Dean Crist, research economist with the National Association of Home Builders, explained that the declines are due to very strong activity in early 1986 and to the current stalling of multi-family housing, especially in the rental sector.

Regional Housing
Feb. '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	277	−13.2	353	+20.1
West	519	+ 8.1	405	− 7.3
South	662	+13.2	597	+ 4.7
Midwest	393	− 6.4	409	+ 5.1

n.c. = no change
Source: U.S. Commerce Department

Regionally, the outcome was mixed. Starts declined in the Northeast and Midwest but rose in the South and West.

The biggest gainer was the South, rising 13.2% from January, to 662,000 units, seasonally adjusted. But activity was down 14.4% from a year ago. Housing permits here edged up 4.7% to 597,000 units, but was off 19.7% from February 1986.

Starts were up in the West from both January and February 1986, but permits declined for the same period. Starts rose 8.1% to 519,000 units in February, up 4.2% from last February. Permits were down 7.3% from January and off 14.2% from a year ago.

Starts fell 13.2% in the Northeast in February, to 277,000 units, a 22.6% decline from February 1986. Permits, however, rose 20.1%, to 353,000 units, up 23% from a year ago.

Housing starts also fell in the Midwest in February. They were down 6.4% to 393,000 units, which was a 33.7% gain over February 1986. At the same time, housing permits rose 5.1% to an annualized 409,000 units, up 33.7% from last February.

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MERCHANDISING

Retailers letting computers help out in the kitchen

By Suzanne Floyd
NHCN staff editor

NATIONAL REPORT — Computer-aided kitchen design is gaining momentum among many retailers, but, some segments of the industry still have reservations.

Enthusiastically endorsed two years ago as a time- and labor-saving means of installing and designing, the new technology is just beginning to live up to its promise.

Lowe's, Payless Cashways, Pay 'N Pak, Channel, Wickes, and a number of smaller chains and independents have tested or are in the process of testing computer software. The companies will either stick with programs tested or develop their own.

Common advantages among available software programs include the ability to produce a computer-rendered floorplan, elevation, perspective drawing and price list — in a fraction of the time it would take to produce manually.

But, not all retailers have leaped aboard the computer bandwagon. Scotty's, Home Depot, and Hechinger are making no moves toward computer enhanced kitchen design.

The split in the industry was manifested by comments made by two New England-based dealers. Tom Gelinas, manager of kitchen and bath for East Coast Lumber, East Hempstead, N.H., has had the Auto Graph system in his stores for about a year. "The customers love it," he says. They feel that the computer is exact. I would say it has increased sales 15%."

A contrary viewpoint came from Bud Dempsey, vp-direct merchandise marketing for Somerville Lumber, Payless Cashways' subsidiary in Massachusetts, who said, "We haven't gotten involved yet. We wouldn't be able to tie it in to our present system."

Dempsey added "We've been looking at [kitchen design programs] for about 15 years."

Butch Robertson, manager of the decorating center for Snow Lumber, High Point N.C., has a similar view. "We have been designing kitchens for about 10 years. We don't know that we want to pursue it [computer-aided design] at this time."

Some managers resist because of problems training personnel. Don Bauer, kitchen and bath buyer for Busy Beaver in Pittsburgh explained, "They were afraid at first. It took a lot of one-on-one training. The fear of the computer lessened after six weeks. Once they got into it more they realized what an aid it is. It adds a touch of professionalism." Busy Beaver has installed the Triangle Pacific system.

East Coast Lumber's Gelinas makes an additional point. "The employees prefer it because it keeps a good file."

While there are a number of software manufacturers to select from, the differences between them vary.

Deciding on a system usually involves evaluation of cost, compatibility with existing computers and individual preferences.

One feature generally shared by most systems is the ability to produce price quotes for a number of cabinet styles or manufacturers. One exception is Triangle Pacific, a Dallas based manufacturer of both cabinets and computer software. The software is limited to Triangle Pacific cabinets. It is, however, the program of choice for Payless Cashways, Kansas City, Mo., Lowe's, North Wilkesboro, N.C., and Busy Beaver.

Other programs can include as many as 30 cabinet styles for the same number of manufacturers.

In addition to companies such as Triangle Pacific, Auto Graph of California, and Twenty Twenty of Canada which have nationwide sales support, there are a number of smaller, regional software vendors. These include Golden Ware of Arizona, Integrated Computer Graphics of Georgia, and RPM Software Systems of Michigan.

Group adopts a standard

The National Kitchen and Bath Association has received attention lately for endorsing an industry standard for kitchen design software. Deputy Executive Director Francis Jones acknowledged, "We have received bad press regarding the association making an endorsement. It will prove itself in the long run."

The NKBA has selected Twenty Twenty of Quebec, as the industry standard. "We've been looking for about two and a half years. An ad hoc committee was appointed to review software programs."

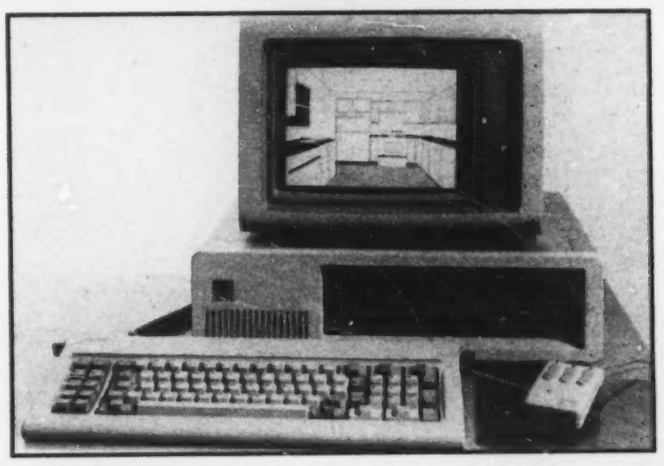
Jones did not know how many programs were reviewed before the Twenty Twenty software was selected.

In accordance with the endorsement, Michel Letreille, vp merchandising for Twenty Twenty said that NKBA members receive a 10% discount on the software, while in return Twenty Twenty pays the NKBA 10% of domestic sales.

Computer Design Systems for Kitchens

System	Features	Date of first installation	Number of installations	Cost of software	Cost of Hardware/ Compatibility
Auto Graph Computerized Designing System Los Angeles	Menu driven by "mouse." Detailed graphics.	1985	250	$2,995	$3,700/ Mc Intosh (Apple)
Computerized Cabinetry Boca Raton, Fla.	Uses sizes and styles of cabinets rather than kitchen dimensions.	1981	350	$495	NA/ Apple, IBM
Design Plus York, Pa.	Offers service. User sends completed design to vendor.	1981	3,500 subscribers	$250 subscription	NA/NA
Golden Ware Inc. Mesa, Ariz.	Mainly for cabinet makers and specialty stores.	1983	NA	$695 to $2,495	NA/IBM
Graphic 100 Nashua, N.H.	User may enter either room size or style of cabinets.	1978	200-250	$1,795	NA/Apple II, IBM pc
Integrated Computer Graphics Atlanta	Offers speed and detailed graphics. Used only at Wickes.	1984	14	$500 per month	$1,400/ Hewlett Packard
RPM Software Systems Detroit, Mich.	Commands in English. 37 categories of specs.	1984	50	$6,000 to $7,000 (package cost)	NA/ IBM, Texas Instruments
Triad Systems Sunnyvale, Calif.	Contract with Twenty Twenty—uses kitchen software as an adjunct to P.O.S. and accounting systems.	1986	20	Approx. $3,300	$6,000 to $9,000/IBM
Triangle Pacific Dallas	Usable only with Tri Pac cabinets; designs good-better-best kitchens.	1986	250-300	Free	$12,000/ IBM
Twenty Twenty Quebec	Menu driven. Will quote a kitchen in up to 20 styles.	1985	250	$2,750	$7,166/IBM

Source: *NHCN* Research



Kitchen design software from Triad Systems runs on an IBM PC and can be operated by a 'mouse' device or by the standard keyboard.

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National Home Center News®

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Hechinger readies plan for accelerated growth

By Phillip M. Perry
NHCN staff editor

LANDOVER, Md. — Hechinger Co. has announced a major new campaign to roll out stores more rapidly in the eastern half of the United States.

It also confirmed it is "actively looking" for a site for a regional distribution center in the Northeast, although a time frame for that facility has not been set.

The plan calls for 28 new stores over the next 24 months, as well as a new regional 310,000 square foot distribution center in Charlotte, N.C.

The company said the 28 new stores would be located in six new markets, as well as the seven Eastern states where it currently operates 62 stores.

The six new markets are Rhode Island, Connecticut, Delaware, West Virginia, Tennessee, and Long Island, a

(Continued on page 92)

Pay 'N Pak offered $171M for buyout by Fla. investor

By Brad Altman
NHCN staff editor

KENT, Wash. — Pay 'N Pak Stores is considering a proposal from Florida investor Paul Bilzerian to buy the 107-unit company for $19 a share, or approximately $171.1 million in cash.

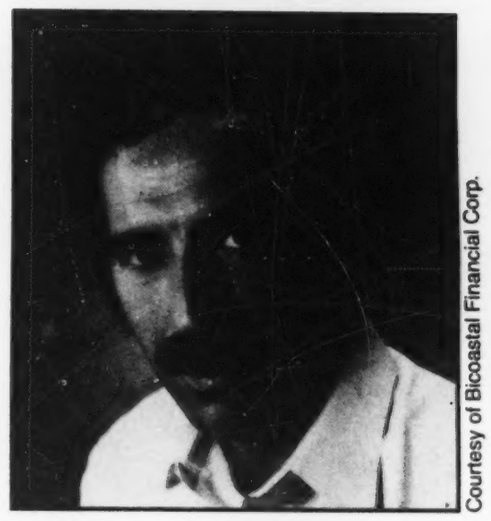
Earlier this month Bilzerian, 36, and his Tampa-based investment company, Bicoastal Financial Corporation, sent Pay 'N Pak a letter proposing "a merger or other business combination."

Pay 'N Pak did not immediately reveal whether it would seek to merge with a "white knight" to counter Bilzerian's offer, although the company said it has retained Salomon Brothers as its financial advisor. Pay 'N Pak declined comment on the bid, but it expected to take a few weeks to evaluate it.

"Pay 'N Pak will evaluate the offer and kick it around its board. In the meantime, Salomon Brothers will beat the bushes trying to get somebody to come up with a higher offer," said Bo Cheadle, an analyst with the San Francisco firm Montgomery Securities.

Cheadle thought that Pay

(Continued on page 91)



Courtesy of Bicoastal Financial Corp.

Paul Bilzerian, who has offered $19 per share for Pay 'N Pak's stock.

Agway moves into consumer arena with garden shops

By Elizabeth Brent
NHCN staff editor

DEWITT, N.Y.— It ranks 112th in the *Fortune* 500 listing released two weeks ago. It had more than $3.5 billion in total sales in 1986. It sells to 767 dealers in 11 states.

And now Agway, a name best known in farm circles, is attempting to make its presence felt in the home improvement market by developing a consumer business in lawn and garden products.

"[Agway's] corporate management realizes that it is working with a declining base of consumer-farmers," noted Dwane Lipinski, special assistant to the Commissioner of Agriculture and Markets in Albany, N.Y. But he described the farm cooperative—of which he is a shareholder—as "a remarkably flexible company able to turn its expertise to running a more consumer-oriented business."

To become more consumer-oriented, Agway has turned to franchising as the quickest method to expand its lawn and garden centers and its cash and carry business. It will add 100 new franchised operations within the next five years by building 50 new stores, at a rate of 10 a year, and converting 50 of its company stores into franchises.

Bob Brown, a 32-year Agway veteran, standing in the back of his Tully, N.Y., farm store. NHCN photo

At present 350 of Agway's 767 stores are run as franchises, while 367 are owned and operated by the company. In addition, Agway manages 50 more stores for the local farm cooperatives, supplying an Agway bookkeeper or store manager.

Its units now carry 10,000 sku's, with a heavy concentration of outdoor power equipment including two private label lines of tractor mowers. It has recently added barbecues, patio furniture, and pool equipment to its more traditional lines of nursery, feeds, fencing, seeds and lawn and garden tools.

Agway has refined its product mix over the last four years, dropping automotive products, appliances, building materials and finished millwork from its mix and focusing on lawn and garden products.

(Continued on page 91)

Larry Moller, president of Moller & Vandenboom Lumber, arriving by limo at Alexanderr Wholesale, where he's greeted by vp Ken Barnes. NHCN photo

Limousine chauffeurs new business to Ill. wholesaler

By Gary S. Ruderman
NHCN staff editor

AURORA, Ill. — The long, silver-gray limousine drives through the shopping center in this city 40 miles from Chicago. It stops smoothly in front of a nondescript building and the chauffeur opens the door, letting out a leather-jacketed man and white-coated woman alight after a three-hour drive.

Wealthy suburbanites arriving at their stock broker's? Wheeler-dealers coming to pen a billion-dollar deal? Celebrities arriving at their attorney's office?

No. It's the president of Moller & Vandenboom Lumber, a five-unit home center chain based in Quincy, Ill., and his purchasing agent arriving at Alexander Wholesale and Supply (AW&S), a $13 million hardlines distributor here.

Alexander uses a $40,000 limo to ferry potential retail customers

(Continued on page 91)

Industry studies assert no danger from fiberglass

By Mike Corrado
NHCN staff editor

NEW YORK — Makers of fiberglass insulation received some good news recently when two industry-sponsored studies found no link between lung cancer and fiberglass.

"From the studies we find that the product is not acting as a car-

(Continued on page 92)

INSIDE

Dealers cashing in on America's love affair with kitchens and baths
Chains and independents alike have been remodeling their kitchen and bath departments to best showcase higher-end products and to encourage consumers to buy the entire package from their stores, which can run anywhere from $2,500 to $30,000. *NHCN* examines how a number of dealers promote project selling in these categories.

NEWSBREAKS

THIEVES RIP OFF DEALER'S TRUCKS: The main lumberyard of M.G. Building Materials, San Antonio, Texas, was broken into on April 6 and three loaded trucks were stolen, dumped and reloaded, according to the San Antonio Police Department. No one has been apprehended.

DEPOT LANDS CHATTANOOGA SITE: The Home Depot signed a deal last month for a former Mr. HOW Warehouse store in Chattanooga, Tenn. The store will be one of 16 new units to open this year.

INDUSTRY UPDATE

Wickes' 4th Q loss totals $2.5M

SANTA MONICA, Calif. — Wickes Cos. reported a $2.5 million loss for the fourth quarter ended January 31, compared with net income of $28.6 million for the same quarter in 1986. Sales increased 59% to $1.4 billion from $885.2 million.

For the fiscal year, Wickes posted a 10% increase in net income to $83.8 million on a 70% sales gain to $4.8 billion.

Results include the operations of Collins & Aikman from December 1986; of Grace Home Centers West and Orchard Supply Hardware from July 1, and of Homecrafters Warehouse from Sept. 5.

Wickes also proposed a 1-for-5 reverse stock split which would reduce its 239 million shares to 48 million. Shareholders will vote on the split June 18.

In addition, Wickes intends to redeem $200 million in debt issued as part of its 1985 bankruptcy reorganization.

Builderama to open six units

SAVANNAH, Ga. — Builderama, the seven-unit retailer headquartered here, plans to open five to six more home centers in the next two to five years, according to president Donald Kole.

The first will open this fall in North Augusta, S.C.

Builderama's expansion is due in large part to the company's new parent, Wiener Enterprises of Harahan, La. Wiener purchased Builderama last Oct. 7.

Handy Andy forms buying office

SCHAUMBURG, Ill. — Handy Andy Home Improvement Centers will consolidate the Cleveland-based buying functions of its new Forest City subsidiary into its new corporate buying office in Schaumburg, Ill., although a small merchandising support group will remain in Cleveland, according to Hank Kirschner, senior vp-marketing.

In addition, Kirschner, 51, will replace Paul Siegel as vp of merchandising at Forest City. Kirschner joined Handy Andy last November after holding several other senior positions.

Siegel, 55, who held the post for five years, said he was not offered a position by Handy Andy and that Kirschner's post duplicated his.

P.F. O'Connor shuts Fla. unit

BRAINTREE, Mass. — P.F. O'Connor has closed its Vero Beach, Fla., unit, and will lease the ten-acre site.

Although the unit fitted in with the company's strong builder-oriented yards, its location made management difficult.

The isolation was heightened after the acquisition of four Brewsters stores in April 1986. These strengthened P.F. O' Connor's foothold in New England.

The company currently operates nine stores and will add another later this year according to its president Patrick O'Connor.

Coast renames auto units

DENVER — A legal copyright has barred Coast to Coast from calling its auto-related convenience stores "Auto X-press," because Montgomery Ward owns the copyright to the "express" terminology for any auto-related businesses.

Effective March 15, Coast to Coast officially changed the name of the two experimental units to Coast Car Care stores.

The two car care stores and one Hardware X-press unit were scheduled to open April 9.

Stocks exhibit strength

NEW YORK — Home center stocks continued to exhibit considerable strength for the two-week period ending April 3. Of the 57 stocks tracked by *NHCN*, 28 increased in value, while four remained unchanged and 25 dropped in price.

On news of a possible takeover, Pay 'N Pak increased 51.4% to $20¼. Michigan General rebounded by 44.4% to $1⅔.

Stanline increased by 13.3% to $12¾.

National Lumber declined 7.1% to $6½. Scotty's went down 6.6% to $14⅛.

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Exhibitors display mixed reaction to summer housewares show

By Laura Liebeck
NHCN staff editor

CHICAGO — Although the National Housewares Manufacturers Association (NHMA) announced in late March that it would reinstate its summer housewares show beginning in July 1988, many exhibitors at its convention this month claimed they knew nothing about the decision.

In fact, many attendees were still complaining about the association's decision to resume its January show, from its November/April schedule, beginning next year.

The NHMA made its decision to hold a July housewares show based on results of a February survey of its members (*NHCN*, April 6.) But many exhibitors told *NHCN* they never received a survey or even knew a poll was being taken.

Despite that, exhibitor reaction was mixed upon hearing the news.

According to NHMA, the survey revealed that 53% of the association's members feel only one show a year is necessary while 47% favor two annual shows. These were the same results of the association's previous survey, which caused the NHMA to drop the summer housewares show, beginning in 1988.

Association leaders, led by newly named NHMA president Jay Spaulding and board chairman Tom Manning, explained that the July show was being reinstated to serve the "900 members" who say they want and need a second show.

Unlike the January show, which is the association's premier event, the July 1988 program will be held in the smaller confines of McCormick Place East, and member attendance will be optional. Booth space will be assigned on a first come, first assigned basis, and seniority in the January show would be unaffected by attendance in the summer show.

Business as usual

Despite the news about the July NHMA show, last month's event was pretty

(Continued on page 91)

Landsdale resigns, forms retail co.

By an NHCN staff editor

SAN ANTONIO, Tex. — Daryl L. Landsdale, the former president of W.R. Grace's Central Region, has formed a new company here called Lone Star Hardware which, according to a company source, is for the purposes of starting a new retail company.

The 46-year-old Landsdale resigned from the 95-unit, $340 million Central Region on March 31, a move that was seen as inevitable by most industry observers after Grace sold the company to a management group at Channel Home Centers, Whippany, N.Y.

Others who have also left at the Central Region, whose stores operate under the names Handy Dan, Handy City and House Works!, were vp-marketing Ron Russell, chief financial officer Tom Klimback, as well as vice presidents of financial planning and personnel.

Landsdale did not respond to repeated phone messages left with his office. But it is assumed that he will be staying in the retail home improvement business.

He was at last month's Home Center Show in Chicago. And when Grace put its home center division up for sale, Landsdale had a leveraged buyout offer on the table for an indeterminant segment of the Central Region.

(Continued on page 92)

Daryl Landsdale, standing among the throng at an opening of a House Works! store in New Orleans in 1983. Landsdale resigned as president of W.R. Grace's Central Region last month. He has formed his own company that reportedly will be starting up a new retail firm.

NHCN *photo*

Michigan General saved from Chap. 11

By an NHCN staff editor

SADDLE BROOK, N.J. — A committee representing holders of 75% of a Michigan General debt issue has agreed to exchange such holdings for a new series of debentures, thereby allowing Michigan General to meet a June 1 interest payment deadline.

If these negotiations had not been successful, Michigan General stated that it would have had to "seek the protection afforded by the federal bankruptcy laws."

In the company's 1986 financial statements, its independent auditors, Deloite Haskins & Sells, had questioned the ability of Michigan General to continue to exist if it were not able to reduce its debt burden through the debenture exchange.

Diamond should benefit

The recent committee agreement has got to be good news for Diamond Lumber, the 75-unit Dallas-based building products chain, which is now Michigan General's primary component.

Late last month, Michigan General signed a letter of intent to sell off its Krestmark subsidiaries to LCB Holdings Inc., a privately owned manufacturer in Dallas that makes structural steel joists and rack and storage handling systems.

The deal for Krestmark, which had combined operating losses in 1985 and 1986 of $6.9 million, included $6.5 million in cash, which Michigan General will use to reduce its debt.

"The sale of Krestmark is in keeping with our efforts to get out of manufacturing and concentrate resources on retailing operations through our Diamond Lumber and Savannah Wholesale subsidiaries," said Ralph Shapiro, Michigan General's chairman and president.

Michigan General's attention to its two remaining businesses has taken the form of austerity, as Diamond, over the past several weeks, has

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Investor newsletter helps boost National Lumber stock

By an NHCN staff editor

FOUNTAIN VALLEY, Calif. — National Lumber was the beneficiary of a favorable mention in an investor newsletter, and its stock responded by jumping to $7 per share from $4 a share in March.

In early April, the stock for the 18-unit chain was trading at $6.50 a share.

The newsletter is *Dessauer's Journal*, which recommended National Lumber's stock "for current purchase" in its Feb. 11, 1987, edition.

"Rising earnings, an attractive, well-managed company in a booming real estate market and improving fundamentals make National Lumber a good choice for gains in 1987," the newsletter said.

V.J. Carnevale, National's chief financial officer, said the chain will release fiscal-year and fourth-quarter results on April 30.

National Lumber reported third-quarter net income increased to $228,476, almost double the profit of $125,369 reported in the same period a year earlier. Sales increased 13.7% to $38.3 million.

Carnevale mentioned several events that have contributed to National Lumber's improving results. He noted that competitor Builders Emporium has closed several units in National Lumber's trading areas, and "where they closed, we picked up."

In addition, in southern California, Carnevale said, the "cutthroat pricing" has been slowing down.

Carnevale said it is discovering that it can peacefully coexist with the warehouse operators, in part because "we are more service oriented. Women shoppers are increasing. There is a place for both [the warehouses and traditional-format home centers]."

Looking ahead to 1987, Carnevale said he is "hopeful it will be a good year." Noting that National Lumber opened seven new stores over a two-year period, he said, "We are seeing improvements in all our new store" sales.

And Carnevale said National Lumber, which in 1986 didn't open any new stores and closed one store in San Bernardino, will "possibly open two this year"—in Sunnymead in mid-June and Laguna Niguel in late 1987.

He added, "We have three or four sites under observation and are definitely in an expansion mode, but at a slower pace."

Lowe's sales rise 7% in February

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Lowe's Cos. announced a 7 percent increase in sales for February 1987, totaling $136.6 million for the month.

Contractor sales totaling $68.9 million were up 3 percent over last year and account for 50 percent of total sales for 1987. Retail sales are up 12 percent at $67.7 million.

Story said that Lowe's goal is to reach a DIY-to-contractor sales ratio of 60/40.

Lowe's opened three stores during the month in Ocala, Fla., West Knoxville, Tenn., and Southern Pines, N.C.

The Moore, Okla., store closed in October 1986, and in January 1987, Lowe's closed its Decatur, Ga., and West Indianapolis, Ind., stores. These stores were removed from the total for the comparison, explained Clarissa Story, manager of investor research.

Lowe's currently operates 303 stores in 21 states in the South Atlantic and South Central regions of the U.S.

Story said Lowe's capital budget for the year is $110 million, down $30 million from last year. The larger 1986 budget was needed for new stores being built and the retrofitting of existing stores.

Lowe's is currently in the process of retrofitting and remerchandising stores acquired from Boise Cascade in the Southwest. Two stores have been completed, and eight are in progress.

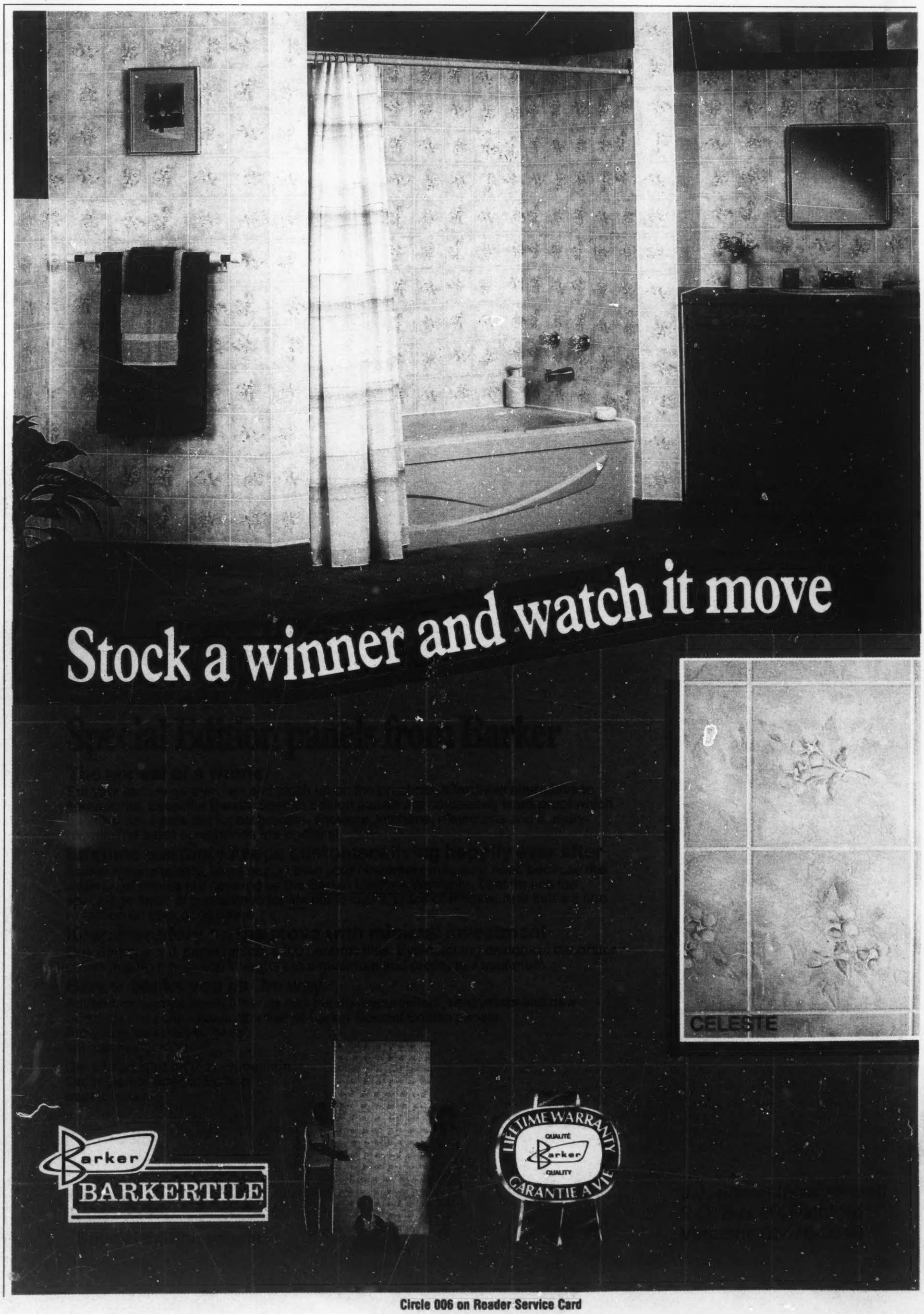
Corrections

A story in the Feb. 23 edition incorrectly identified the DIY Research Institute as being a part of the National Retail Hardware Association (NRHA). The Institute was associated with the NRHA via a management contract prior to it becoming part of the Home Center Research Bureau, a division of Vance Publishing, in January.

Due to an editing error, a statement about the NRHA choosing not to renew the management contract was incorrectly associated with Richard Lambert's retirement from the group on Jan. 23. The statement referred to the Research Institute.

The April 6 issue misidentified the recipient of the Golden Hammer award for this year's best advertising campaign by a manufacturer. It was Chuck Stuart, executive vice president for North American Philips Lighting. In addition, last month's event was the third annual ad awards banquet, not the second.

Due to a typographical error, a chart on page 71 of *NHCN's* April 6 issue misstated the cost of Triangle Pacific's computer design hardware. The cost is actually $1,200, not $12,000.



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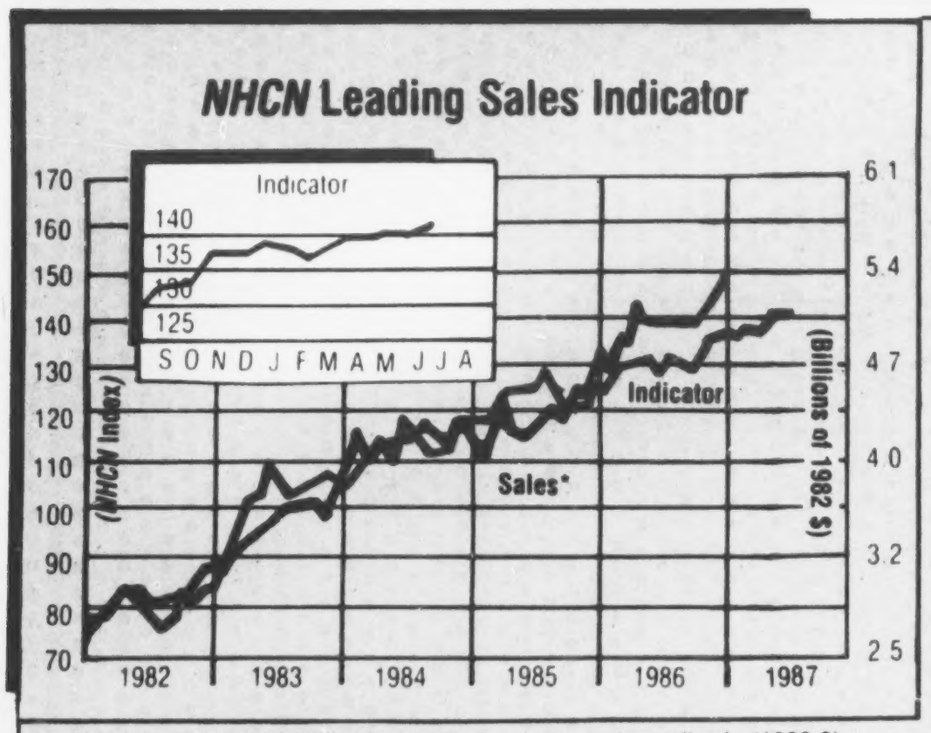
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986, although they fell in January. Single family housing starts exceeded 1.3 million in February and will remain near 1.2 million units during 1987 as interest rates decline.

Building material sales up 15% in East North Central states

By Richard E. Mount
Special to NHCN

Building material sales are expected to increase 15% in the East North Central states this year, faster than the 11% national average. Adjusted for inflation, sales in the region will be up 7% in unit volume.

The East North Central states are the industrial heartland of the country. Regional employment did not begin to rise from the last recession until 1984 and it was not until the second half of 1986 that the total number employed equalled the prerecession peak! Manufacturing was held in check because the high value of the dollar increased import penetration while limiting exports of U.S. produced goods. Employment in 1985 and 1986 was boosted by automobile promotions which raised domestic production to 8.2 million units in 1985, up 5% from 1984, the highest level since 1979. Production declined 4% in 1986 to a still high 7.8 million as promotions had less of an impact on buyers.

Richard E. Mount

Problems for employment

Regional employment gains in 1987, however, will not be as strong as 1986.

Domestic auto production will decline 8% to 7.2 million units because promotions in 1985 and 1986 oversold the market. General Motors has already ordered sharp reductions in second quarter

(Continued on page 23)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

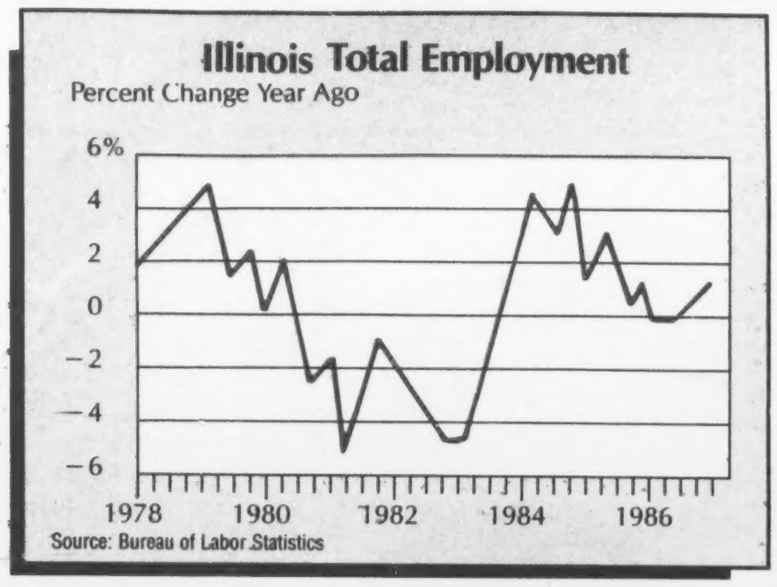
		1985	1986				1987					
		QIV	QI	QII	QIII	QIV	QI	QII	QIII	1985	1986	1987
NHCN Leading Sales Indicator (February 1980 = 100)		123.4	124.7	127.9	132.1	137.1	13[illegible]6	140.2	143.4	118.5	130.3	141.3
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	56,976	61,260	62,580	62,956	64,584	66,076	68,432	70,590	53,841	62,845	69,751
	New England	3,477	3,492	3,854	4,210	3,978	4,057	4,188	4,313	3,038	3,884	4,267
	Middle Atlantic	8,306	8,324	8,926	9,261	8,938	9,118	9,423	9,692	7,269	8,862	9,590
	East North Central	9,048	8,096	9,699	10,014	10,314	10,605	11,018	11,393	8,381	9,531	11,242
	West North Central	4,000	3,541	4,049	4,413	4,463	4,553	4,708	4,857	3,747	4,116	4,804
	South Atlantic	11,837	13,871	13,442	12,394	13,459	13,783	14,295	14,767	11,262	13,292	14,579
	East South Central	3,182	3,513	3,633	3,757	3,869	4,011	4,174	4,334	2,964	3,693	4,268
	West South Central	6,041	6,817	6,355	5,975	6,278	6,396	6,597	6,791	6,090	6,356	6,720
	Mountain	2,763	3,256	2,962	2,997	3,171	3,244	3,353	3,452	2,674	3,097	3,414
	Pacific	8,322	10,269	9,659	10,087	10,114	10,308	10,675	10,991	8,377	10,032	10,869
Constant	**Millions $1982 SAAR Total United States**	53,749	57,497	60,401	59,924	60,190	60,790	62,150	63,475	51,035	59,503	63,054
	New England	3,280	3,465	3,781	3,733	3,708	3,733	3,804	3,878	2,882	3,672	3,857
	Middle Atlantic	7,836	7,926	8,450	8,317	8,330	8,389	8,558	8,715	6,894	8,256	8,669
	East North Central	8,536	9,205	9,568	9,522	9,612	9,757	10,006	10,245	7,950	9,477	10,162
	West North Central	3,773	4,110	4,210	4,165	4,159	4,188	4,276	4,367	3,554	4,161	4,343
	South Atlantic	11,167	11,629	12,521	12,452	12,544	12,681	12,983	13,279	10,682	12,286	13,179
	East South Central	3,002	3,270	3,533	3,542	3,605	3,690	3,791	3,897	2,812	3,488	3,858
	West South Central	5,699	6,229	6,040	5,932	5,850	5,884	5,991	6,106	5,777	6,013	6,075
	Mountain	2,607	2,803	2,929	2,930	2,955	2,985	3,045	3,104	2,536	2,905	3,086
	Pacific	7,851	8,861	9,368	9,330	9,426	9,483	9,695	9,883	7,946	9,246	9,825
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	6.10	6.03	6.26	6.23	6.16	6.14	6.12	6.11	5.65	6.17	6.12
	Middle Atlantic	14.58	13.79	13.99	13.88	13.84	13.80	13.77	13.73	13.51	13.88	13.75
	East North Central	15.88	16.01	15.84	15.89	15.97	16.05	16.10	16.14	15.58	15.93	16.12
	West North Central	7.02	7.15	6.97	6.95	6.91	6.89	6.88	6.88	6.96	6.99	6.89
	South Atlantic	20.78	20.22	20.73	20.78	20.84	20.86	20.89	20.92	20.93	20.65	20.90
	East South Central	5.58	5.69	5.85	5.91	5.99	6.07	6.10	6.14	5.51	5.86	6.12
	West South Central	10.60	10.83	10.00	9.90	9.72	9.68	9.64	9.62	11.32	10.11	9.63
	Mountain	4.85	4.88	4.85	4.89	4.91	4.91	4.90	4.89	4.97	4.88	4.89
	Pacific	14.61	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	88.6	92.7	91.1	93.9	95.8	92.4	91.1	90.9	88.5	93.4	91.6
	Cement	99.8	121.2	108.7	105.6	108.2	107.9	106.5	105.2	105.7	110.9	106.4
	Gypsum Wallboard	132.4	132.8	133.7	132.3	134.5	134.6	134.2	133.1	126.4	133.3	133.9
	Hardware	99.4	99.8	102.1	103.5	101.7	104.5	103.9	103.2	100.9	101.8	103.8
	Lumber Products	125.7	128.0	132.8	134.1	134.2	127.5	126.7	126.1	122.9	132.3	126.7
	Paint	100.2	100.6	103.0	100.1	93.8	107.2	107.9	108.4	101.9	99.4	108.1
	Plywood	142.9	149.6	161.4	164.3	158.2	157.2	156.2	154.4	138.7	158.4	155.4

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
March 31, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH



Building material sales will increase in industrial states

(Continued from page 16)

production schedules.

Capital goods face a difficult 1987. Corporate America is coming off a lackluster year for earnings and prospects for demand in the first half of 1987 are not good, given projected weakness in consumer durables and office construction, and malaise in energy and agriculture. Corporations are saddled with debt. Commercial and industrial loans outstanding continued to increase last year. The new tax law introduces uncertainty into the marketplace. The result will be a rise in machinery investment of only 1.9% in 1987 versus 4.1% in 1986.

Regional Outlook

Building material sales will be buoyed in 1987 by resales and single unit starts in 1986,

Regional employment gains in 1987 will not be as strong as 1986.

but restrained by slower employment gains. Resales were up 13% and starts 28%, and will increase remodeling and new construction in 1987.

Illinois and Ohio should be the strongest markets for building material in 1987, up 16%. Their economies are diverse, starts rose the fastest in the region in 1986 and resales were robust.

Wisconsin will be in the middle, building material sales rising 14%. Resales were the second strongest in the region during 1986 but starts were not robust. Manufacturing is centered about industrial and farm machinery, areas expected to be weak.

Indiana and Michigan will be below average in the region, sales up 12%. Resales were soft in 1986 and the states have concentrations in steel and autos.

Outlook for sales

Building material sales in the East North Central states will increase 15% in 1987 on the strength of resales, single unit starts, and employment in 1986. The region should be held back in 1987 by slower gains in employment, especially in auto, capital goods, and steel. If the national economy is stronger in 1987 than we currently expect, this region will benefit more than most.

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ARROW ELECTRO-MATIC Electric ETN-50 STAPLE GUN TACKER
Shoots a Staple Wherever You'd Drive a Nail!
Uses 6 T-50 Staple Sizes: 1/4", 5/16", 3/8", 1/2", 9/16" and Ceilitle.

ARROW T-50 Heavy Duty STAPLE GUN TACKER

ARROW XPANDO T-50XP Staple Gun Attachment
Instantly converts the Arrow T-50, T-50M, T-55 Staple Guns into a multi-purpose Fastening Tool!
Shoots a tight-gripping Xpando Fastener into Wood, Masonry, Metal, Hollow Doors, Sheetrock!

ARROW EZ-Pull Rivet Tools
All steel construction.
Comfortable vinyl grip.
Spring-loaded handle for easy rivet loading and ejection.
Uses 4 rivet sizes: 3/32", 1/8", 5/32" and 3/16".
For use in repairing lawn furniture, cooking utensils, toys, heating ducts, gutters, etc. Fastens metal to metal, canvas to canvas, canvas or leather to metal for 1001 uses. Rivets available in aluminum and steel in 3 grip ranges and 3 diameters.
RH200 PROFESSIONAL
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ARROW ELECTRO-MATIC HOT MELT GLUE GUNS
TR550 TRIGGER-FEED
FOR UNLIMITED BONDING JOBS
For gluing wood, leather, canvas and metal, etc. Glues available in All-Purpose Clear for crafts, hobbies and general repair. WhiteCaulk/Sealer/Glue for caulking and sealing. Slow-Set to allow more time for lineup on larger areas; and Removable All-Purpose Clear for weatherstripping.
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THE CARROUSEL LINE
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- Visual Packed
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Hi, I'm Nick Daley. Most of you know me from my previous career with a major faucet manufacturer. Two years ago, I realized that the time was right for a line of faucets equal in quality to the domestic market leaders, while retailing for significantly less. I quit my job, designed the line, set up manufacturing abroad and MasterFaucet from D-I-Y Industries was born.

Starting from scratch was not easy. When we first started selling, even some of my friends were hesitant to buy. We persisted, we stuck to it—now we're successful and D-I-Y Industries is here to stay!

A number of leading home center chains, including four of the top ten, are buying MasterFaucet and reordering regularly. They have found that our faucets sell extremely well everyday and respond strongly to advertising.

To accommodate our growing company, we've expanded. We installed new equipment and tripled our factory size. You can order from our Dallas warehouse or directly from our factory through your own letter of credit.

Let us show you how MasterFaucet can bring you increased sales and above average profits at significantly lower retail prices compared to domestic faucets. Write or call us collect today at 214-980-4232.

Sincerely,

Nick Daley

MasterFaucet™ DIY Industries
5501 LBJ Freeway, Suite 500, Dallas TX 75240
TEL: (214) 980-4232 • FAX: (214) 387-2651

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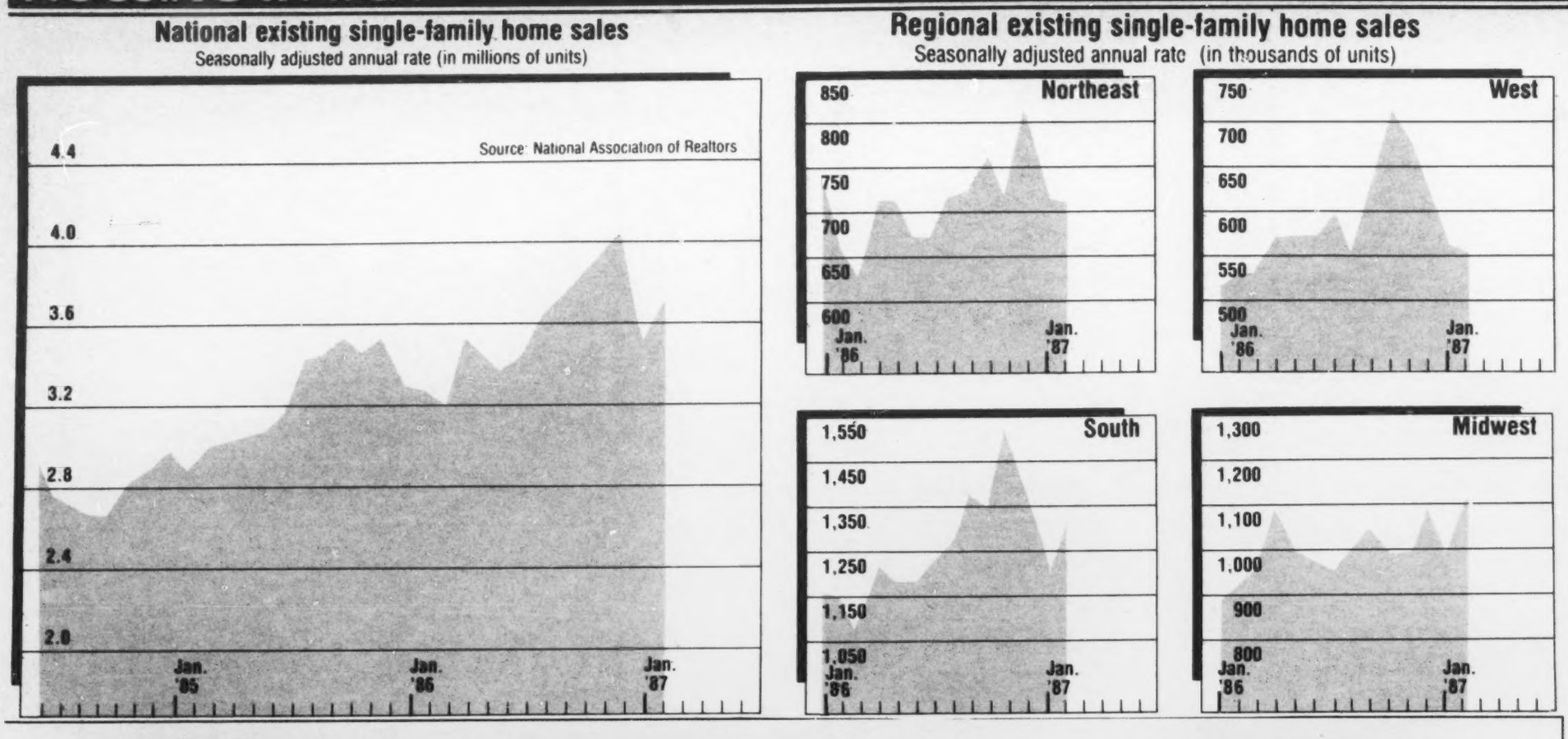
HOUSING WATCH



Feb resales surge 6% to 3.6M units

NATIONAL REPORT — Home resales surged 6% in February to a seasonally adjusted 3.69 million units, a figure that the National Association of Realtors (NAR) predicts as the total sales count this year.

Only the West posted a sales decline in February. Resales there fell 1.8% from January to 560,000 units, seasonally adjusted, 3.7% ahead of February 1986, NAR said.

February's activity increase was due largely to robust sales in the Midwest. This 12-state region recorded an 11% month-to-month increase in sales in February to an adjusted 1.11 million units, 18% ahead of last February.

Sales of existing single-family homes rose modestly in the South and Northeast, up 6.5% and 4.4%, respectively.

South 'turning around'

The monthly increase recorded in the Northeast shows its continued strength, but February's sales gains in the South, to 1.31 million units, "is a sign that the economy in that region is turning around," said John Tuccillo, NAR's chief economist. February's pace was 13.5% ahead of last year.

The smallest sales increase was recorded in the Northeast. Sales were an annualized 710,000 units, 4.4% ahead of last year. But the cost of a median-priced home soared $17,500 from January to February to $126,200, which was 30.1%—$29,800—more than last February. This should not continue, Tuccillo said.

Nationally, the median resale home price rose $2,900 to $85,000 in February.

Home prices in the South, the nearest to the national median, were $82,700, up 8% from last February. The median home price in the West was $102,500 in February, up $2,200 from January.

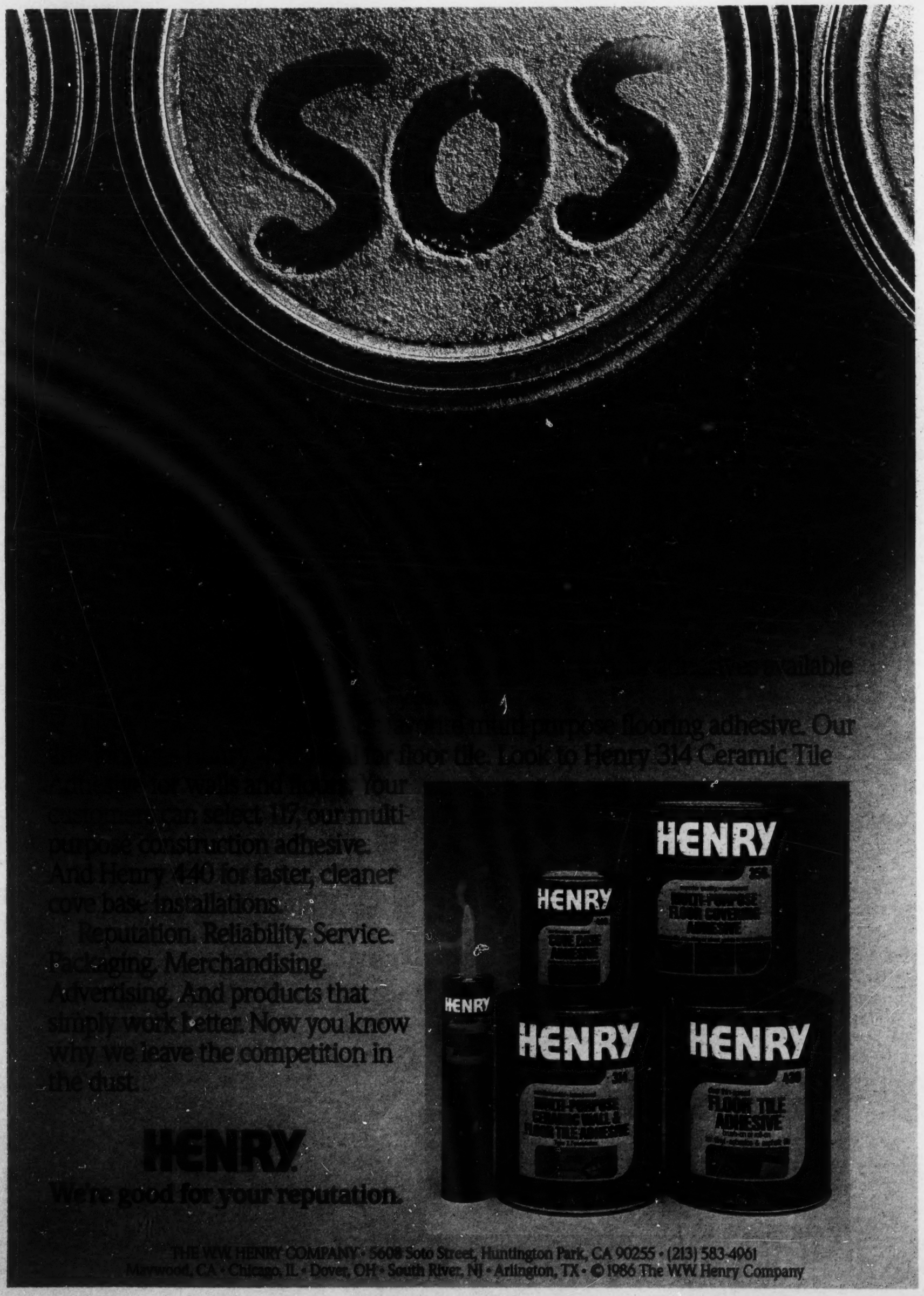
The Midwest had the lowest resale price in Feb., $67,600, up $2,400 from January and $5,500 from February 1986.

L.A. top housing market in 1986

NATIONAL REPORT — The top housing market in the U.S. last year was Los Angeles/Long Beach, with 69,990 new units, up 29% from 1985, according to the F.W. Dodge Division of McGraw-Hill Information Systems.

This was the second consecutive year that the Los Angeles market topped the list. Washington D.C. ranked second in 1986 with 52,120 new units built, up 21%.

Rounding out the top 10 list were Atlanta, 51,330 units; Riverside/San Bernardino, 49,050 homes; Phoenix, 42,879; San Diego, 37,617; Chicago, 31,874; Tampa/St. Petersburg/Clearwater, 30,947; Dallas, 30,781; and the Minneapolis/St. Paul, 26,887 units.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PROJECT SELL:

• **32 Extensive K&B displays tried by many dealers.** Home centers are expanding the merchandise they show in kitchen and bath displays, and turning to their suppliers for help in training their in-store personnel.

• **33 New England lumberyard develops specialty store.** Back in 1984, Douglas Lumber in Rhode Island didn't even sell kitchens at retail. But its "Kitchens by Douglas" specialty unit now accounts for 10% of its sales.

• **33 Study finds kitchen and bath remodeling done by different consumers.** Rodale's *Practical Homeowner* finds considerable K&B remodeling activity among affluent consumers.

• **42 The look of kitchen and bath.** A pictorial essay of what home centers, both in the U.S. and Europe, are doing to encourage project sales.

• **44 Do appliances help sell projects?** The answer by most dealers is no, but they do bring in more customers.

• **46 Spas are their own project.** With the average ticket over $3,000, home centers want a bigger piece of the market.

• **52 Busy Beaver's 'Gallery' debuts in Buffalo, N.Y., unit.** The 9,000-square-foot specialty K&B show will include a working kitchen and 10 bath displays.

• **54 Grand Rapids independent escapes building cycle with kitchen merchandising.** Standard Lumber was "saved" when it diversified into kitchens, whose sales now make up two-thirds of its volume.

• **58 Knecht establishes kitchen 'beachhead' in Black Hills market.** This South Dakota independent draws people from 250 miles away with its elaborate kitchen displays.

• **60 Attention to detail spells high ticket sales for Barrons Gaithersburg.** It's not unusual for this Maryland lumberyard to sell $30,000 kitchens. And this fall a new bath department will be installed.

• **61 Marriage turns Palm Springs dealer's kitchen sales around.** Lumbermen's kitchen department was failing until it was rejuvenated by the wife of the company's president.

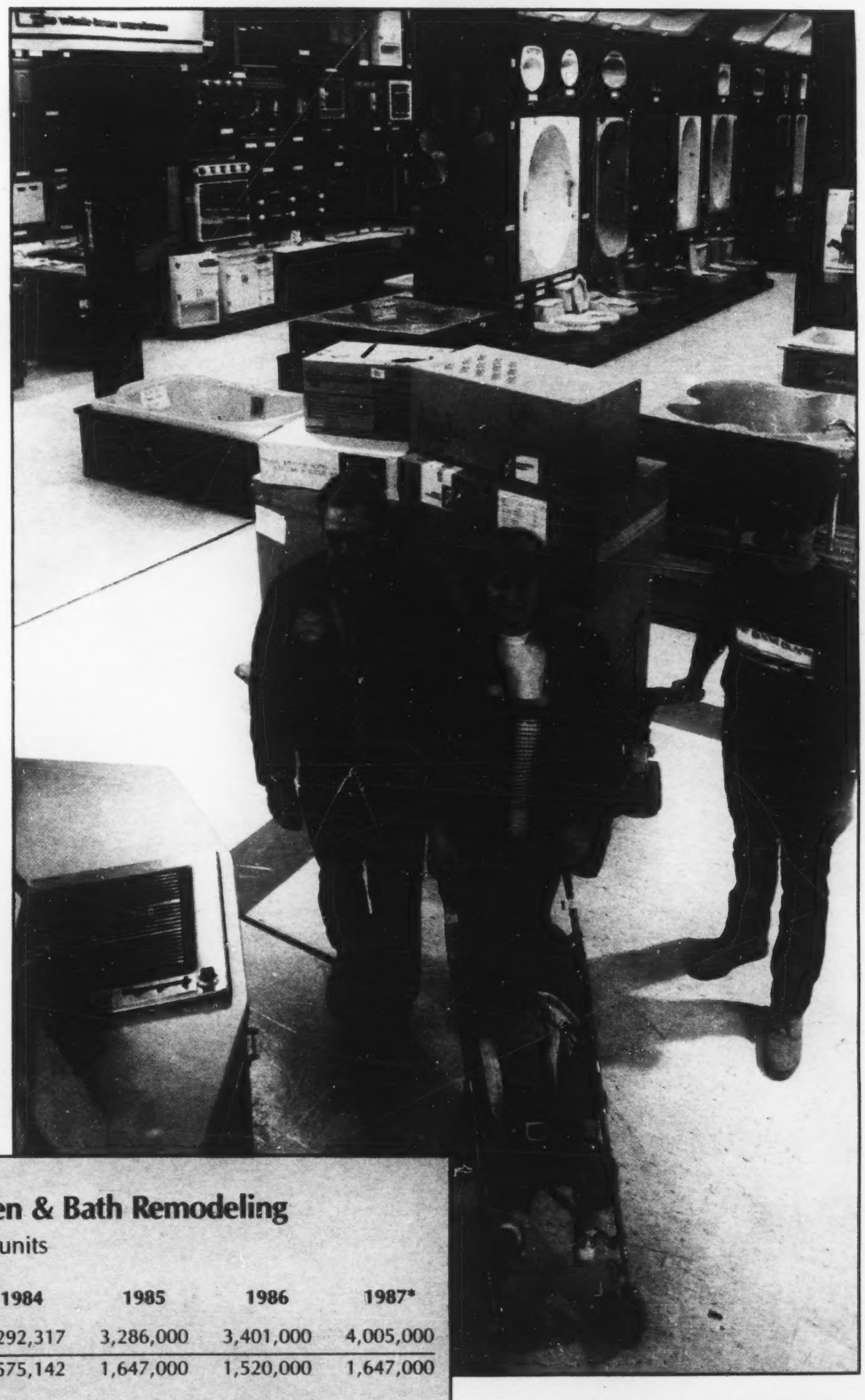
• **62 Mfgs. chip in with training and design aids.** K&B suppliers are also coming up with new ways to display their wares.

• **65 Two bath suppliers offer design help.** American Standard and Eljer Plumbingware offer two approaches to increasing project sales.

• **68 Installation key to Sears' K&B growth.** Sear's is also starting to segment its bath departments more by style.

• **69 Lowe's private labeling cabinets.** The industry's biggest chain is marketing its new line for more than just kitchens.

BEYOND THE VIGNETTE IN KITCHEN AND BATH PROJECT SELLING



By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — When consumers attend clinics about kitchen installations at the three new Busy Beaver stores to open in Buffalo, N.Y., this summer, they will be treated to an entirely new marketing dimension.

While many home center chains have displayed their kitchen and bath merchandise in the most realistic and enticing settings possible, Busy Beaver is going a step beyond the traditional vignette by presenting a complete kitchen that is actually functional.

That means customers will see an oven hood, a microwave oven, a garbage disposal, a refrigerator and other appliances in operation.

By establishing a working kitchen, the Pittsburgh-based chain of 11 units is presenting the home center industry with yet another answer to the question of the year for kitchen and bath buyers: How can a home center enhance project selling in these departments beyond the vignette?

Dealers are also wrestling with the fact that kitchen and bath marketing requires a level of in-store expertise on the part of their salespeople that is beyond what their training capabilities can achieve. Consequently, dealers looking to increase their penetration in the K&B project market are relying far more heavily on their suppliers to provide training for store employees and design assistance for consumers.

Experiments abound

There have been any number of attempts by retailers to go beyond the the marketing of projects through vignette displays to give ideas to their customers. Some of these include:

• Mr. Goodbuys and The Home Depot have started their own credit cards this year to encourage larger ticket project selling, particularly in the K&B area. Goodbuys is also one of a handful of chains that sells appliances in its stores to supplement extensive kitchen displays, a marketing strategy that is only fitfully accepted industrywide (*see other story*);

• At Supply One's 88,000-square-foot unit in Portland, Ore., kitchen and bath products are displayed in vignettes in the center-aisle of the store adjacent to warehouse racks containing packaged back stock.

Lyle Gregory, executive vp, said the K&B run is 119 feet long with 10 vignettes, each a four-sided square containing four different product groupings per vignette.

Supply One's strategy is to have a number of "specialty stores" within the larger store. It believes that by offering the merchandise itself, located immediately adjacent to the vignettes, it allows customers to make immediate decisions about buying. Supply One is considering expanding its bath departments to around 2,500 square feet to allow greater emphasis on big-ticket items;

• Chase-Pitkin has spent $300,000 to install new kitchen and bath "Design Centers" in its Marketplace, Fairport and Ridgemont, N.Y., units that place stronger emphasis on product groupings and promote higher-end merchandise.

The carpeted, 3,000-square-foot departments feature 10 bath displays (one with a marble bath) and include at least five working whirlpool tubs. These will be displayed adjacent to kitchen vignettes showing lines from Triangle Pacific and Schrock;

• Channel is adding new accessories such as countertops and wallpaper to its traditional kitchen and bath seminars this year.

• Lowe's rolled out a computer assisted kitchen design program to many of its stores this fall. The North Carolina chain has also recently introduced its own private label kitchen cabinet program that presents the merchandise as being useful for other rooms in the home (*see other story*); and

• All American Home Center has expanded the working hours of its "In-Home Man," who visits customers' homes to plan K&B installations.

(Continued on page 34)

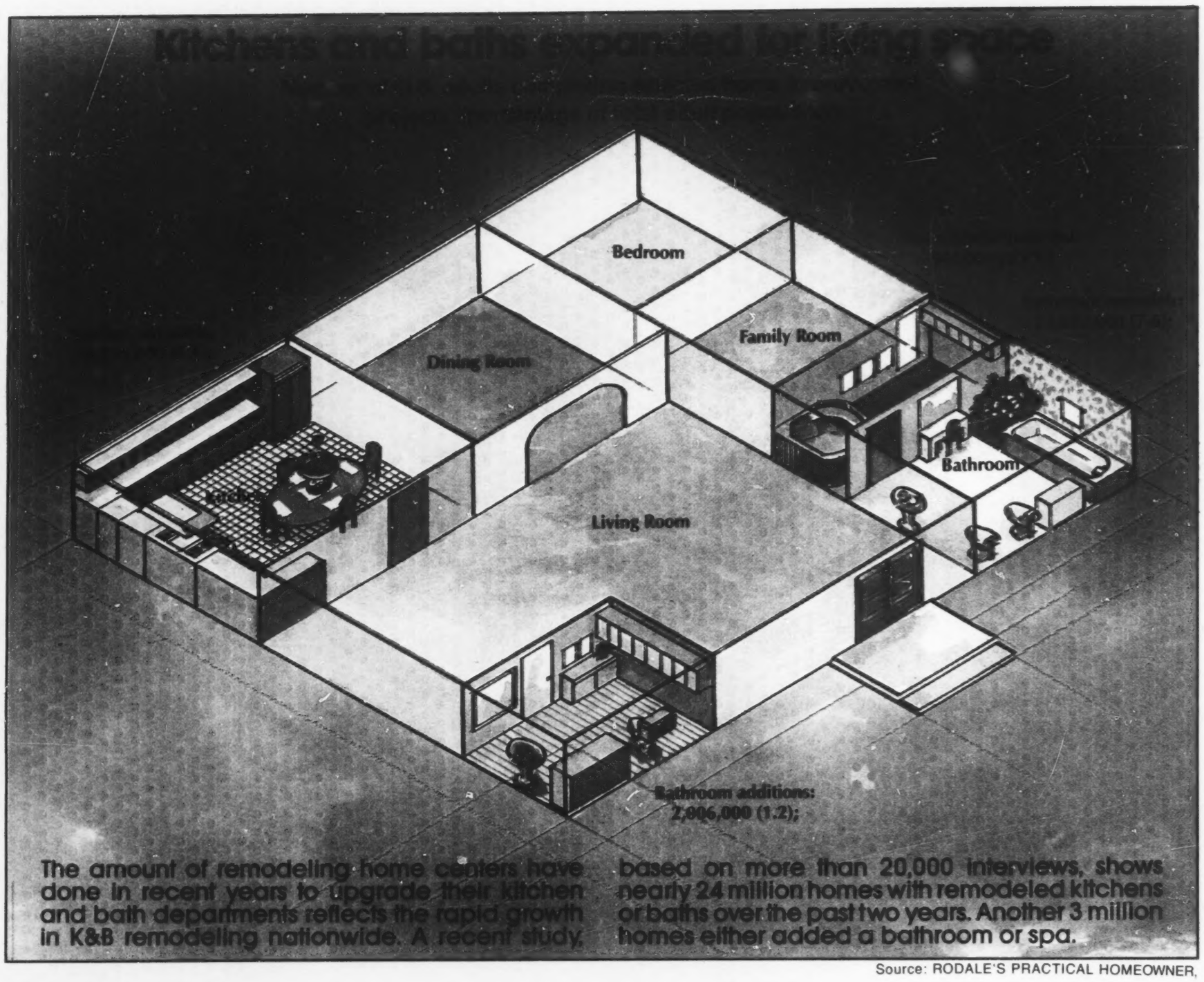
U.S. Kitchen & Bath Remodeling

Figures show units

	1984	1985	1986	1987*
Kitchens				
Remodeling	3,292,317	3,286,000	3,401,000	4,005,000
New starts	1,575,142	1,647,000	1,520,000	1,647,000
Bathrooms				
Remodeling	4,095,411	3,985,750	4,125,250	4,835,000
New starts	2,495,338	2,481,000	2,481,000	2,431,000

Source: Nat'l Kitchen & Bath Assoc.
*Projection

Home centers are looking to expand their project marketing to capture a greater share of kitchen and bath remodeling activity that is projected to expand by 21% this year, according to NKBA estimates.


Kitchens and baths expanded by K&B space
Bedroom
Dining Room
Family Room
Bathroom
Kitchen
Living Room
Bathroom additions:
2,806,000 (1.2);
The amount of remodeling home centers have done in recent years to upgrade their kitchen and bath departments reflects the rapid growth in K&B remodeling nationwide. A recent study, based on more than 20,000 interviews, shows nearly 24 million homes with remodeled kitchens or baths over the past two years. Another 3 million homes either added a bathroom or spa.

Source: RODALE'S PRACTICAL HOMEOWNER,

Rodale study:

Upscale homeowners revealed as active in remodeling projects

By John Caulfield
NHCN staff editor

NATIONAL REPORT — Nearly 23 million American households had their kitchens or baths remodeled over the past two years.

And according to a recent, comprehensive survey tracking home improvement activity during this period, the more-affluent homeowner living in a higher-priced home showed a remarkable propensity for engaging in these kinds of projects.

This upscale consumer appears to be what most home centers have been targeting as they have upgraded their stores' K&B departments in recent years with stronger displays, more skilled sales help and higher-end merchandise.

However, the study—conducted for a full year and released in December by Rodale Press' *Practical Homeowner* magazine—also shows that the kitchen and bath remodelers are quite different from each other.

For such projects as kitchen remodeling or adding a spa, statistical comparisons of actual job completions nationwide and project activity indices of homeowner groups by income, home value, time in residence, age, and geographic locale rarely match; whereas they are more closely aligned for those respondents who had remodeled an existing bath or added a new one to their homes.

These data, then, suggest that marketing kitchen and bath projects may be considerably more complicated than simply grouping displays of these products together as a means of attracting more female customers.

13.1 mil. bathrooms redone

The *Practical Homeowner* study polled more than 20,000 persons about which of 10 home improvement projects they engaged in since 1984. For the purposes of evaluating project selling for kitchen and bath, *NHCN* has excerpted data for four: remodeling a kitchen; remodeling a bath; adding a bathroom; and adding a hot tub/whirlpool spa.

The survey, which is nationally projectable for the more than 171 million adult population, showed that, for example, about 7.2 million baths and 5.5 million kitchens were remodeled by adults between the ages of 35 and 64. More than 1.2 million new bathrooms were added to homes in which the remodeler had lived for more than five years. About a half a million spas were installed by adults whose household income exceeds $50,000.

Taken together, middle-aged suburbanites with household incomes between $25,000 and $49,999, and homes worth between $50,000 and $99,999 were the ones doing the greatest number of kitchen and bath projects. The only job where this differed radically was in hot tub/whirlpool installation, where 60% of the total projects were completed by adults in the $50,000-plus income range, and more than half by those in homes worth more than $100,000.

But a different level of project activity emerges when one looks at the index developed by the study that takes the percentage of persons completing the job in specific demographic groups and compares it with the national average for each project for a project activity ratio.

This index uncovers potential consumer targets for dealers marketing kitchen and bath projects that go unseen when only numerical data are used.

For instance, nearly two of five respondents who remodeled their kitchens live in the suburbs, and another 35 percent live in urban areas. But those people living in rural markets were the only group to register a project activity index figure—119.2—higher than the national base of 100.

(Continued on page 34)

New England yard develops kitchen specialty store

By Elizabeth Brent
NHCN staff editor

SMITHFIELD, R.I. — Three years ago Douglas Lumber had no kitchen department, just a wholesale operation to service its builder trade. Today it runs its own kitchen specialty store known as Kitchens by Douglas which generates over $2 million, or 10% of its total sales.

Since 1984 and the opening of Kitchens by Douglas, the single-unit company has doubled its sales to $20 million, as building boomed in this area on the northern boundary of Rhode Island and Massachusetts.

For Douglas Lumber, starting a separate kitchen shop solved its overcrowded yard and store problem. The company rented two store fronts, just one mile away from the yard, and set up Kitchens by Douglas. It provides the company's 90% builder trade with a showroom to display kitchens and more importantly with five qualified designers to visit job sites and finalize sales.

"Its much easier and less risky to open a kitchen store than a lumberyard," said Steven Carlino, president. "You need a store front to rent, a few thousand dollars to spend on displays and you use the inventory at the old location."

The Kitchens by Douglas store is just that, yet this 2,400-square-foot unit moves between 10 and 24 complete kitchens each week, according to Leonard Maglione, manager of Kitchens By Douglas. In its first year it generated sales of $1 million, increased to $1.5 million in 1985 and topped $2 million last year.

It has gradually expanded its range of kitchen cabinets and appliances, bringing in more upper-end imported lines, and most recently added a range of European sinks and faucets.

The kitchen shop, like the lumberyard itself, has carved out a reputation for service and speedy delivery. It can supply domestic kitchens from its own 10,000-square-foot warehouse within 24 hours, and imported lines from its Rhode Island distributor within 48 hours. It recently added a third truck to facilitate deliveries which go out to job sites within a 40-mile radius.

It makes the most of its small space, displaying five complete kitchens and four small vignettes. Its lower-end lines ofcabinets for a 9½-foot by 9½-foot kitchen sell for between $1,200 and $1,800. It also offers a domestic custom kitchen line by Kingswood at around $2,400. Its upper-end line is supplied by the German Läger kitchens which can be removed from the walls and taken when homeowners relocate.

The trend towards European laminated cabinets encouraged Douglas to add a line of deeper European sinks last June.

Maglione, a former appliance salesman, has also extended the specialty store's appliance line to include products from General Electric, Whirlpool, Sub Zero, Thermidor, Genaire, and Modern Maid.

However, this fall the specialty store will merge with the lumberyard when Douglas Lumber relocates to its new 15,000-square-foot build-to-suit store on a site a few hundred yards from its kitchen unit.

But this won't be the end of Kitchens by Douglas, for the company plans to spin off at least eight kitchen stores in shopping malls in the area, and is currently considering leasing a site in a mall in the southern part of the state.

PROJECT SELL: KITCHEN & BATH

Beyond the vignette in K&B selling

(Continued from page 32)

How to approach the task of selling kitchen and bath is more important this year than ever before. Most home centers report the boom in kitchen and bath sales that began several years ago has not abated. According to estimates by the National Kitchen and Bath Association, Hackettstown, N.J., close to 9 million homes will engage in kitchen or bath remodeling in 1987, which would be around 21% higher activity than a year ago.

Bill Mathisen, NKBA's director of training, said that bath remodeling alone will total $10.28 billion in 1987.

And, despite the top quality lines and services offered by specialty kitchen and bath outlets, consumers continue to flock to home centers for these products.

At the same time, many home centers report another trend continuing: Consumers are gradually upscaling their ideas of what a kitchen should look like.

Put the two phenomena together, and the natural result is a home center industry struggling with the task of developing project selling concepts for two departments where installations can be more complex than such projects as decks and garages.

Kitchen remodels come first

Most home centers report they have made more progress in project selling of kitchens than baths.

And no wonder. One of the incentives for developing project marketing undoubtably is that the ticket prices for kitchens can run $5,000 to $7,000 for a typical project. In contrast, a typical bathroom project—which has fewer items—might have a ticket price of $1,500 to $2,500.

It also seems consumers want to remodel kitchens first and are apt to turn to the home center for information on basic remodeling skills more so than when they remodel baths.

"The typical bath customer is the guy or gal who two years ago put in a kitchen," said Don Bauer, kitchen and bath buyer for Busy Beaver.

Joe DiVerniero, a buyer for the 35-store Lloyd Home & Building Centers, Danbury, Conn., agrees. "It's the same customer who wants to do both jobs. He just is more likely to do the kitchen first, the bath second."

And customers seem to act a little slower when deciding on kitchen remodeling, as compared with bath. So they need more hand holding.

"Kitchen customers are a lot more concerned about the length of time their kitchens will be torn up," said Tony Martinez, kitchen and bath buyer at All American Home Center, Downey, Calif. "Most customers have at least two bathrooms."

Regardless of when consumers do these jobs, it appears that they need a lot of help in visualizing what they want for their homes, and how it will be installed. In-store service, though, continues to be one of the weak spots in home centers' K&B project programs, according to manufacturers who point specifically to the lack of product knowledge many salespeople exhibit in selling their wares.

Customer service improves

However, as more chains rev up their project selling engines, customer service seems to be improving. Installation clinics remain a natural activity centered around the kitchen and bath vignettes. While home centers struggle with new concepts for enhancing project selling, they are also attempting to refine the clinic concept to enliven it and bolster the ticket price of resulting consumer projects.

Busy Beaver is increasing the number of items it includes in its customer clinics, and is tying in kitchen cabinet selection and installation clinics with advice on accessories such as faucets, sinks, wall coverings, lighting.

So does Channel. "Our clinic now is no longer just how to pick out a cabinet and hang it," said Carter Smith, kitchen buyer for the Whippany, N.J.-based chain.

This is a change made this year at Channel to help raise the ticket price of the projects resulting from the seminars. The cabinet selection part of the presentation is speeded up, and the remaining time is used to discuss countertops, wall coverings, floor coverings and other items.

For the first time last year, All American Home Center, Downey, Calif., made the role of its "In-Home Man" a full-time duty for the 40-hour week. Prior to the change, the employee who visits homes and advises on installations would do so in addition to other store duties.

"Salespeople often suggest the In-Home Man when customers can't seem to decide what to purchase," said Martinez, All-American's kitchen and bath buyer.

Anderson Lumber, Ogden, Utah, is proud that its kitchen department is not self service. It has found that employee-provided customer service drives kitchen sales and, to a lesser degree, bath sales, according to Hudson England, vp-merchandising.

"We have one well-trained person to give the service the customer needs in the kitchen department," said England. "Our business is generated by 25% consumer sales and 75% contractor sales, and our sales people have to know the entire kitchen-selling process, from explaining features to drawing a layout to installation."

Study shows kitchen and bath remodelers as distinct groups

(Continued from page 33)

The same was true for bathroom additions: The index for adults living in rural locales (who accounted for more than 37 percent of all the additions completed) was 158.0, while central city dwellers—who undertook all the bath additions during this period—could muster only an index of 92.3.

In all four projects, rural residents were the only ones whose activity index was above the national base of 100.

This pattern makes more sense when locale is paralleled with job completion based on worth of home. Adults living in homes worth $100,000 or more registered the highest project activity index in three of the four kitchen and bath jobs assessed (it was 163.8, based on a scale of 100, for bath additions), even though in all but one instance the highest number of actual jobs was completed by those living in houses worth $50,000 to $99,999, with at least one-third and up to 43 percent of each project being completed by people in the home value group.

Generally speaking, however, respondents in homes worth anywhere from under $25,000 to $100,000 achieved project activity indices higher than the national average.

Consumers living in the Middle Atlantic and West Central states managed to complete the highest number of projects in each job grouping, and also figured prominently when project activity is measured.

More than one-quarter of all kitchen remodels were completed over the past two years by Middle Atlantic dwellers, and more than one-fifth of bath remodelings and additions were done by this geographic group.

West Central residents did 18 percent of all kitchen remodels and about 20 percent of the bath retrofits.

(The one project where these data varied markedly was spa installation, 25 percent of which were completed by people living in the Southeast.)

The project activity index does not deviate as wildly from the actual job completions for these four projects as it did for other room additions (*NHCN*, Jan. 26). For example, Middle Atlantic residents had the highest project index for bath remodels. But there are some noteworthy differences between job completions and indices.

Consumers living in the New England market, who completed only 6.4 percent of all bath fixups and 8 percent of kitchen remodels, registered an index of 113.9 and 147.9, respectively, for the two projects. (The latter number was the highest index of any geographic group.)

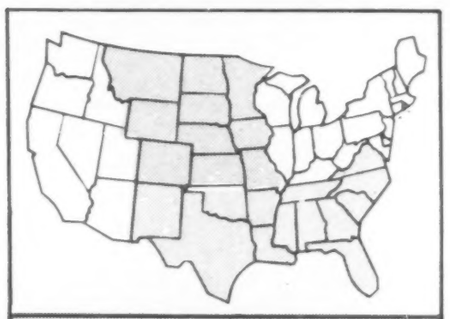
Where the greatest number of bath additions may have been completed by Middle Atlantic residents, but those living in the Pacific area made claim to the highest project activity index of 131.1. Pacific dwellers also had the highest index—149.2—for spa installation, followed by 138.6 for respondents in the Southeast and 137 for those in the Southwest.

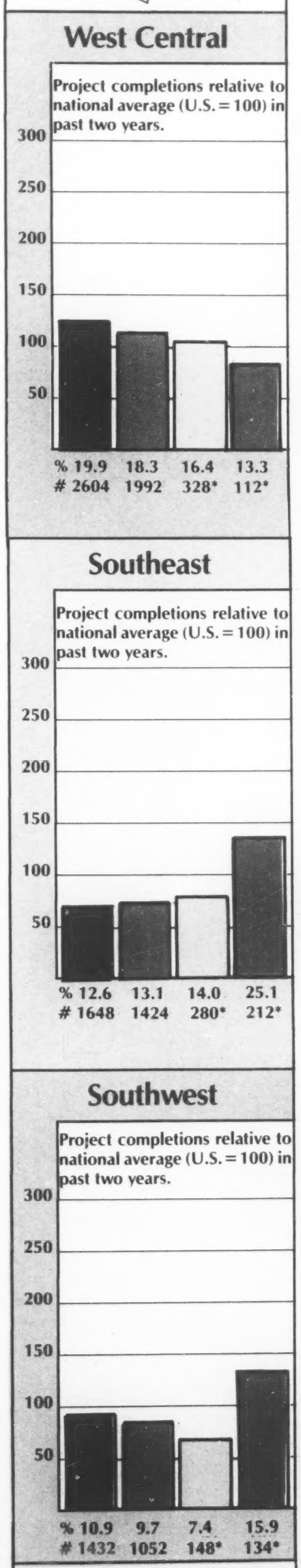
Generally speaking, though, at least four geographic regions had indices higher than the national average in every kitchen and bath project evaluated, a sign that these jobs are being conducted actively in all parts of the country.

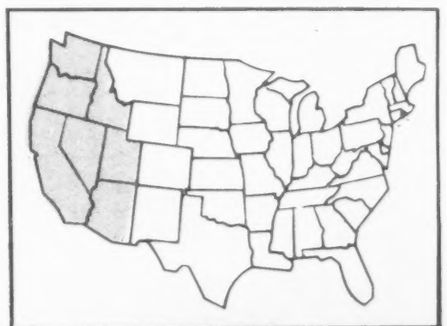
The study also looked at job completions and activity among income groups and by time of residence in their dwelling. The conclusions to be drawn from these data are that while lower-middle income people are doing the bulk of the repairs on homes they've lived in for quite a while, more affluent consumers with shorter tenures in their homes are as active in project remodeling, if not more so.

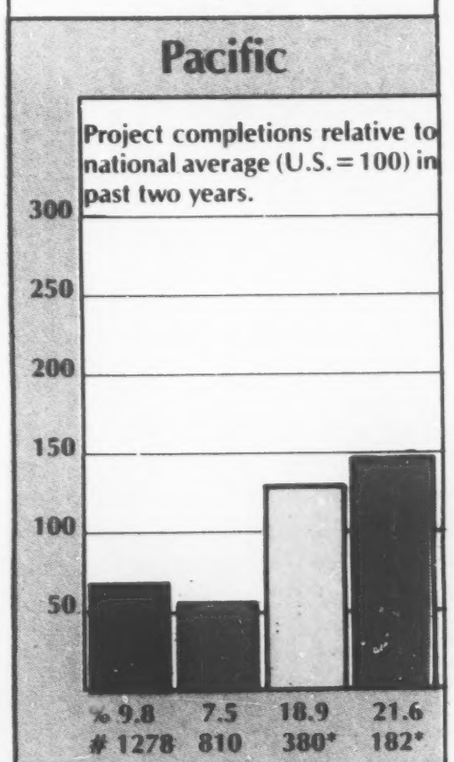
At least one-third and up to 50 percent of all jobs were completed by those respondents with household incomes

(Continued on page 38)








Pacific
Project completions relative to national average (U.S. = 100) in past two years.
300
250
200
150
100
50
% 9.8 7.5 18.9 21.6
# 1278 810 380* 182*
(%) Percentage of all U.S. projects completed in this region.
(#) Adults completing projects in region (in thousands).
*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI-Fall 1986; NHCN chart.
Remodeling a bathroom
Remodeling a kitchen
Adding a bathroom
Adding a hot tub/whirlpool/spa

PROJECT SELL: KITCHEN & BATH

Affluent homeowners active as K&B DIYers

(Continued from page 34)

in the $25,000 to $49,999 range. More than half of the bath remodels were done by this income group.

But look how this compares with the group's project activity index: consumers with household incomes of $50,000 or more had the highest index in kitchen remodeling (151.8, far above the 112 for those in the $25,000 to $49,999 spectrum), and bath additions (125.8). Interestingly, though, the lower-income group was highest for bath remodels (128.3, just slightly ahead of the index of 126.6 for the $50,000-plus respondents). And the higher-income consumers, which completed 60 percent of all spa installations, registered an astronomically-high 286.6 index for this project.

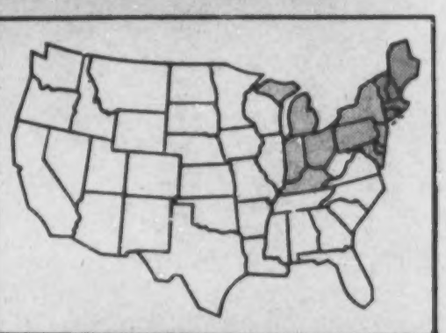
As far as longevity in the home is concerned, close to two-thirds of all jobs were done by those respondents who have lived in their current house for five years or more. But in every job, those with two-to-four years' residence in their homes had a higher project activity index.

This latter group completed around one-quarter of all the bath additions, but had an activity index of 149, compared with the 105.8 index for those in their homes five years or more who completed 62.2 percent of all bath additions over the past two years.

This pattern continued in kitchen and bath remodeling and spa installation as well.

The above information, provided to NHCN by Rodale Press' Practical Homeowner magazine, is a customized data tabulation culled from Mediamark research Incorporated's (MRI) Fall 1986 survey of U.S. consumers.

From September 1985 through August 1986, MRI interviewed 20,493 U.S. adults in their homes about their remodeling activity. The study's findings are nationally projectable to the 171,169,000 adult population.



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Sunspot™ delivers twice the profit you're probably now getting from other displays because there is no inventory. Your orders are drop shipped in two weeks from our nationwide distribution network which also maintains a complete inventory of Sunspot™ replacement parts and accessories.

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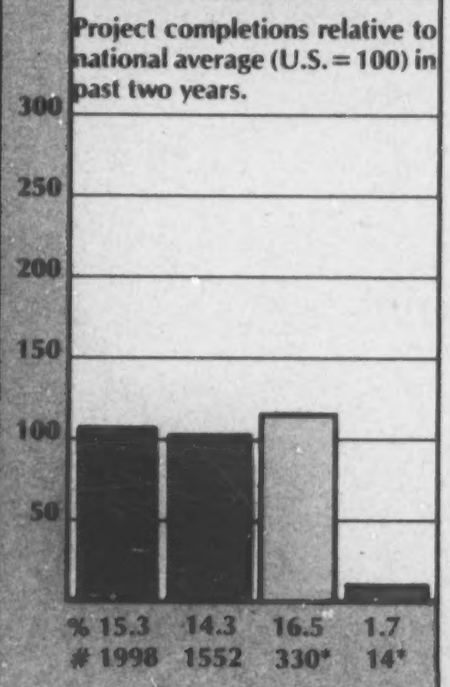
Built and backed by ODL—a trusted name for 40 years.
For years, we've been making premium-quality entrance products and skylights. And we've built a strong reputation for service. With Sunspot™, we've not only added another high quality product, we've given you a complete merchandising program to help you sell it. From consumer ads, literature, and public relations to a sample kit, banners, posters, video tapes and a 4% co-op program. ODL Incorporated, 215 E. Roosevelt Ave., Zeeland, Michigan 49464, phone: (616) 772-9111.

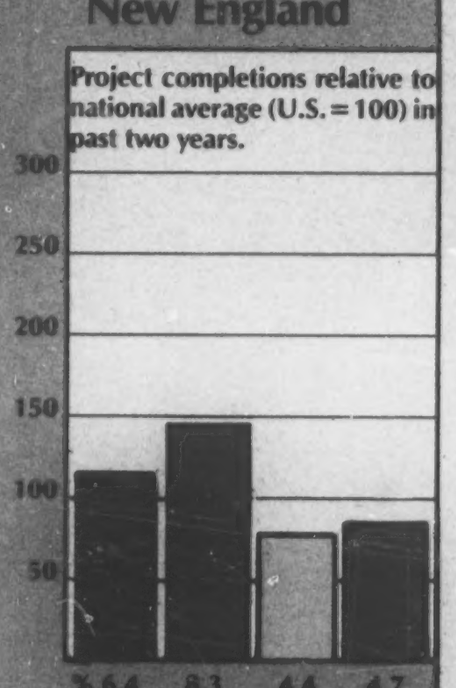
build your own place in the sun
ODL sunspot™

Circle 29 on Reader Service Card

Middle Atlantic



East Central



New England

(%) Percentage of all U.S. projects completed in this region.

(#) Adults completing projects in region (in thousands).

*Projected from 50 or fewer respondents. Indices rounded to nearest whole number.
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI-Fall 1986; *NHCN* chart.

- Remodeling a bathroom
- Remodeling a kitchen
- Adding a bathroom
- Adding a hot tub/whirlpool/spa

ADVERTISING & MARKETING

Wickes and Payless top list of big television advertisers in '86

NATIONAL REPORT — The 15 leading home centers using TV promotion spent more than $41 million on advertising in 1986. This was an increase of nearly 30% from 1985, according to data from the Television Bureau of Advertising (TvB).

There was some jockeying for position on TvB's list last year, as mergers and acquisitions changed the face of the industry. It was also a year when many companies re-evaluated their use of the TV medium. Some cut back drastically on spending and siphoned funds into print and radio, while others spent more on TV to support their print circulars.

Wickes tops chart

Wickes Companies, Santa Monica, Calif., now heads the list of the top 15, spending more than $9 million on TV advertising, an increase of 40% from the previous year's $6.5 million. In 1986, Wickes added two strong TV users to its stable: Ole's Home Centers and Orchard Supply Hardware, which it acquired from W.R. Grace last June.

Ole's increased its TV spending by 49% from $1.8 million in 1985 to $2.8 million in 1986.

The San Jose, Calif.-based Orchard Supply increased its TV allotment by 46% in 1986 to maintain its market position against incoming competitors HomeClub and The Home Depot. It spent $1.6 million on TV in 1986, compared with $1.1 million in 1985, largely funded by vendors using designated co-op dollars.

Big advertiser acquired

Payless Cashways, Kansas City, Mo., dropped to second among the leading TV spenders in 1986. Yet its overall TV ad spending grew by 17% to $7.3 million. It could be assumed that Payless' television advertising will benefit from its acquisition in October of Knox Lumber, the St. Paul, Minn., chain which conducts one of the best television campaigns in the retail home improvement industry.

Builders Square, San Antonio, increased its TV spending by a meteoric 218% in 1986 to $6.26 million, which represents the most spent by any single chain (Wickes and Payless are a collection of chains under a corporate umbrella).

This took Builders Square to third position on the TvB list. Last year it was ranked eighth.

Builders Square used TV to support its rapid opening of 56 stores in 1986 and to strengthen its position in existing markets with the use of its "Trade Secret" campaign.

The Home Depot was notably absent from the top three TV spenders, after ranking second last year. Instead, the Atlanta-based warehouse company cut TV spending by 47% from $4.5 million to $2.4 million and fell to fifth place. It has replaced TV advertising in its California markets with heavy radio and print efforts.

TV ad spending reflects bold changes in marketing taken by different companies.

Lowe's, based in North Wilkesboro, N.C., siphoned off funds from its TV spending to increase the size of its tabloid circulars. As a result its TV use declined by 32% from $2.3 million in 1985 to $1.59 million in 1986.

Scotty's in Winter Haven, Fla., used TV for the first time in 1986 to support its monthly catalogs and increased its TV spending 234% from $400,000 to $1.58 million.

Electronic spending at Grossman's in Braintree, Mass., rebounded with the company's fate, as it emerged as a new firm from its parent's Chapter 11.

TV ad spending at Grossman's rose by 1,500% in 1986, from $102,500 in 1985 to $1.6 million last year.

The top 15 home center TV users is compiled by the Television Bureau of Advertising from an analysis of Broadcast advertising reports. The figures do not reflect co-op advertising dollars which is credited to the manufacturers and not included.

Leading TV Advertisers of 1986

Among home centers. Figures show dollars spent

	1986	1985	% change
Wickes Companies	**$9.249M**	**$6.561M**	**+41.0**
Builder's Emporium*	4.651M	3.300M	+41.0
Ole's Home Centers (L.A., Phoenix)	2.774M	1.855M	+49.0
Orchard Supply*	1.603M	1.100M	+46.0
Wickes Building Supply*	219,500	304,600	−28.0
Payless Cashways	**7.327M**	**6.236M**	**+17.0**
Furrow's*	2.500M	1.816M	+38.0
Knox Lumber (Minneapolis)	221,400	270,100	−18.0
Lumberjack (Fresno, Sacramento)	737,200	604,500	+22.0
Payless Cashways*	3.387M	3.084M	+10.0
Somerville Lumber (Boston, Providence)	481,340	460,760	+4.0
Builders Square*	6.262M	1.967M	+218.0
Pay 'N Pak*	2.526M	2.303M	+10.0
Home Depot*	2.409M	4.566M	−47.0
National Lumber (L.A.)	1.783M	1.975M	−10.0
Grossman's*	1.640M	102,500	+1,500.0
Lowe's*	1.584M	2.338M	−32.0
Scotty's	1.335M	400,000**	+34.0
Menard Cashway*	1.314M	814,300	+61.0
HomeClub*	1.298M	1.033M	+26.0
Plywood Minnesota*	1.229M	1.468M	−16.0
Valu Home Centers (Buffalo)	1.212M	733,500	+65.0
Handy Andy (Chicago, Milwaukee)	1.095M	916,900	+19.0
Pergament (N.Y.)	1.067M	402,400	+165.0
TOTAL	**41.337M**	**31.819M**	**+29.9**

Source: TV Bureau of Advertising
*Multi-market
**Updated by Scotty's
NOTE: Co-op not included

Sales are in the bag with Knox promo

ST. PAUL, Minn. — A brown grocery bag helped Knox Lumber vary its print ads and stage a special sale.

The printed bag was inserted in newspapers instead of regular circulars, and folded so that its 7-inch red letters caught the eye, advertising 25% off all merchandise that fits inside, not including power tools.

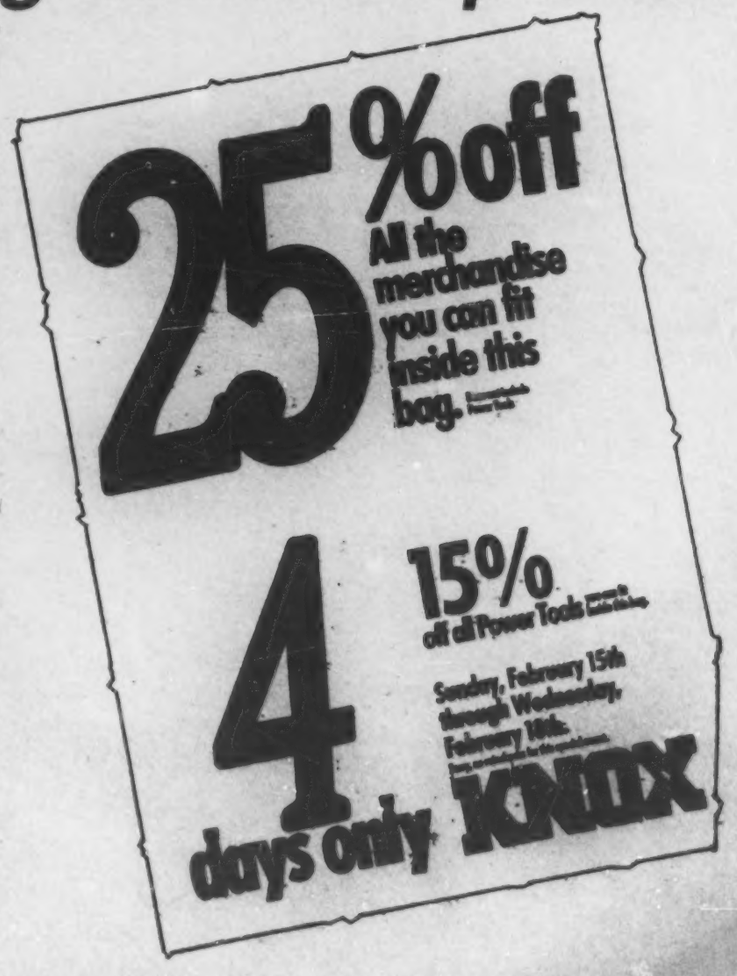
The special ran four days from Sunday, Feb.15 through Wednesday, Feb. 18, in all markets. However, the sales results were difficult to assess.

"Sales were good but it's hard to say what [came from] the sale and what [came from] the good weather," said Mike Carver, vice president. The promotion coincided with rare 40-degree temperatures.

"It's amazing what people will try to get into the bag. One guy put in a big coil of chain and could hardly lift it," Carver said.

Knox had tested the bag idea in July in the Twin city markets running it for two days at the end of the week. The second time they used it in all ten stores.

"Its not that cheap and not that easy to do," said Carver. Inserting it in the Minneapolis paper, *The Pioneer Press*, caused such problems that the newspaper refused it in February.


25% off
All the merchandise you can fit inside this bag.
4 days only
15% off all Power Tools
Sunday, February 15th through Wednesday, February 18th.
KNOX

A STANLEY DOOR MAKES ANY HOUSE BETTER.

To find out why your customers are already sold on our doors before they enter yours, call Kim Bray at (313) 528-1400

STANLEY

Stanley Door Systems

Circle 074 on Reader Service Card

Want Decay To Go Away?

Use ORGANICLEAR Wood Preservatives

For Wood Above & Below Ground

Stops Mold, Mildew, Fungus, Wood Rot & Decay

Prevents Termite Attack

For Details, Call: 1-800-544-7650
(WI) 1-800-792-3504, Ext. 437

USOL

Standard Tar Products Co., Inc.
Milwaukee, WI 53209

Circle 075 on Reader Service Card

HOW TO BOOST YOUR GROWTH IN METAL CHIMNEY AND GAS VENT.

Mail this ad or call our splendid 800 number.

Name
Company
Address
City/State
Zip Phone ( )

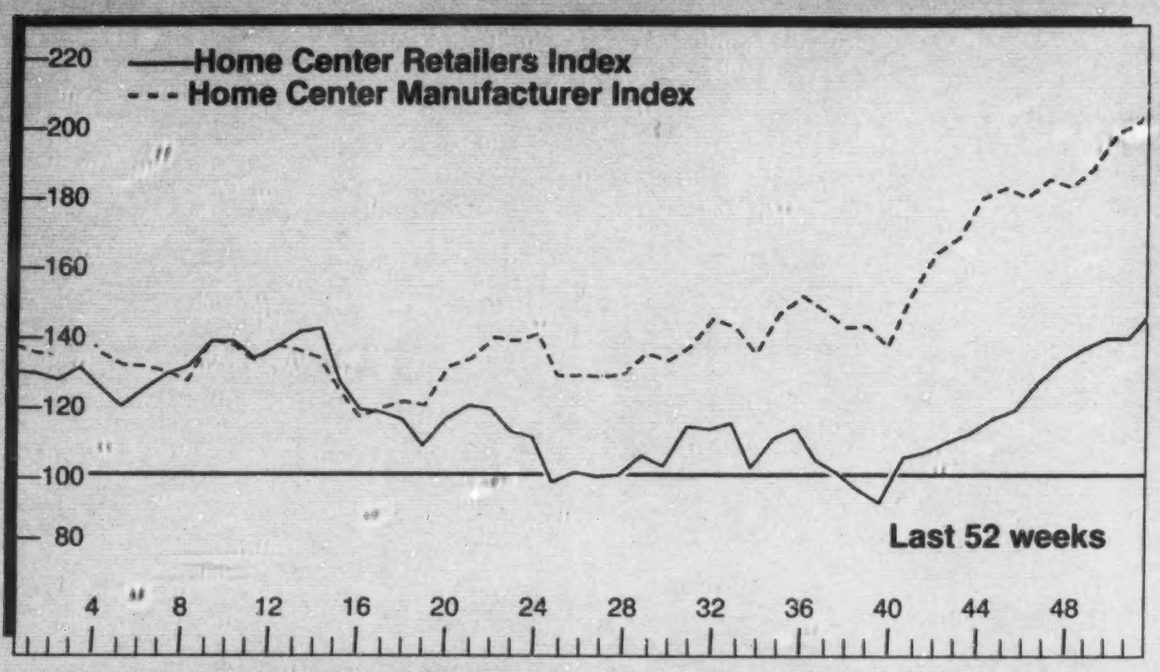
25 YEAR WARRANTY

800-227-8446 (In Calif.: 707-446-1786.)

SIMPSON DURA-VENT P.O. Box 1510, Vacaville, CA 95688-1510

Circle 076 on Reader Service Card

FINANCIAL NEWS

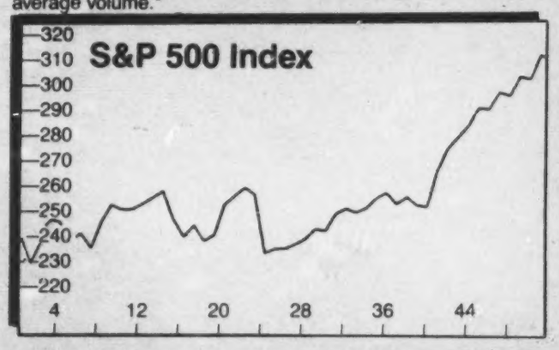


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
4-3-87	(100)	%	%
INTERCO Inc N	2,882	689.8	13.3
Certain-teed N	42,768	686.0	51.4
Payless Cash N	7,606	313.6	44.4
Lewis Palmer M	186,993	306.2	9.7
Hechinger A M	28,415	204.2	.0
Stanline Inc M	23,749	195.7	- 1.4
Pay N Pak N	3,815	191.3	5.2
Mich General A	19,510	176.0	1.5
Wickes Cos A	2,837	166.8	12.9
Home Depot N	11,022	166.0	5.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 4-3	2-Week Price Change	Total 2-Week Volume
Winners 4-3-87	$	%	(100)
Pay N Pak N	20.25	51.4	42,768
Mich General A	1.63	44.4	7,606
Am Consum Prods M	10.50	15.1	424
Stanline Inc M	12.75	13.3	2,882
Lewis Palmer M	9.88	12.9	2,837
Wickes Cos A	4.25	9.7	186,993
Hechinger B M	23.75	8.0	2,066
K mart Co N	67.75	7.8	68,160
Champ Intl N	42.13	7.0	74,140
Grace W R N	66.25	6.4	31,133
Losers	$	%	(100)
Natl Lumber M	6.50	- 7.1	332
Scotty's Inc N	14.13	- 6.6	1,811
Zayre Corp N	28.38	- 5.8	28,110
Svc Merchandise M	6.63	- 5.4	11,688
DeSoto Inc N	39.00	- 3.7	566
Thos Inds N	21.63	- 3.4	721
Waxman Ind M	10.88	- 3.3	1,004
Walter, Jim N	58.88	- 3.1	7,565
Black & Decker N	19.75	- 3.1	25,952
Macmillan Bloedel M	21.25	- 2.7	22,052

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
4-3-87	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile M	30.00	.00	.0	30.00	30.00	33.00	21.00	0	.00	.00	NC	19.0	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent A	38.25	- .75	- 1.9	38.88	38.00	39.38	28.75	79	.10	.10	.0	23.9	.30	.8	.....	9 mos.	10-86	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R N	66.25	4.00	6.4	66.88	61.75	66.88	45.25	31,133	7.49	3.57	109.8	22.5	2.80	4.2	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Grossman's Inc M	10.25	- .25	- 2.4	10.75	9.50	11.25	6.75	1,672	.84	.83	1.2	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A M	23.25	1.25	5.7	23.75	20.75	23.59	16.00	11,022	10.08	3.79	166.0	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	23.75	1.75	8.0	23.75	20.75	23.75	16.25	2,066	1.26	.58	117.2	25.8	.06	.3	.....	fiscal	01-87	140.3	20.1	8.7	31.8	.28	27.3	588.4	22.8	28.3	22.5	.92	17.9
Home Depot N	29.00	.00	.0	30.75	26.38	30.75	14.25	28,415	10.22	3.36	204.2	32.2	.00	.0	NEW	fiscal	01-87	273.9	34.5	7.7	196.2	.27	145.5	1011.5	44.4	23.9	191.5	.90	172.7
INTERCO Inc N	45.13	- .63	- 1.4	46.00	43.13	47.63	36.63	23,749	8.34	2.82	195.7	14.5	1.60	3.5	.....	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Co N	67.75	4.88	7.8	67.75	61.50	67.75	43.25	68,160	5.11	2.47	106.9	15.6	1.74	2.6	.....	fiscal	01-87	6934.7	2.7	301.4	2770.5	2.11	2244.4	23812.4	6.2	598.7	170.7	4.35	151.4
Lowe's Cos N	32.13	.88	2.8	32.75	30.13	41.50	22.50	11,266	2.84	1.63	74.2	22.8	.40	1.2	.....	fiscal	01-87	497.4	4.6	10.0	- 11.5	.25	- 19.4	2283.5	10.2	56.1	- 7.7	1.41	- 14.0
Mich General A	1.63	.50	44.4	1.88	1.13	4.75	1.00	7,606	4.26	1.03	313.6	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods M	9.50	.25	2.7	9.50	8.75	10.00	5.69	319	2.59	1.47	76.2	22.6	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber M	6.50	- .50	- 7.1	7.00	6.50	7.50	4.00	332	.59	.94	- 37.2	NE	.00	.0	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak N	20.25	6.88	51.4	20.50	13.13	20.50	9.50	42,768	42.76	5.44	686.0	35.5	.40	2.0	NEW	fiscal	02-87	83.2	11.7	.4	- 69.2	.04	- 69.2	398.4	19.4	5.7	- 30.5	.57	- 30.5
Payless Cash N	25.88	.38	1.5	26.88	24.50	27.50	15.88	19,510	5.63	2.04	176.0	20.7	.16	.6	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc N	14.13	- 1.00	- 6.6	15.25	14.00	18.13	12.00	1,811	1.25	.79	58.2	17.4	.52	3.7	.....	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck N	54.38	1.88	3.6	54.88	49.75	54.88	39.00	100,769	2.70	1.37	97.1	15.0	2.00	3.7	.....	fiscal	12-86	12969.7	7.5	543.0	- 1.7	1.45	- 3.3	44281.5	8.8	1351.3	3.7	3.62	2.5
Svc Merchandise M	6.63	- .38	- 5.4	6.88	6.50	14.88	6.25	11,688	3.51	4.60	- 23.7	NE	.08	1.2	.....	fiscal	12-86	1114.1	.8	21.9	- 24.7	.66	- 24.1	2527.3	.0	(46.9)	- 100.0	(1.41)	- 100.0
Ski Bird Pix N	25.00	.50	2.0	25.00	23.50	27.00	19.38	5,138	4.57	2.89	58.1	18.8	.58	2.3	NEW	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Supermkts Gen N	44.63	2.38	5.6	45.75	43.00	45.75	22.50	59,876	15.54	6.25	148.6	27.9	.28	.6	NEW	fiscal	01-87	1434.5	5.8	19.1	- 11.6	.50	- 16.7	5507.9	7.5	60.9	- 4.4	1.60	- 10.1
Wickes Cos A	4.25	.38	9.7	4.38	3.75	7.00	3.25	186,993	7.88	1.94	306.2	15.2	.00	.0	NEW	fiscal	01-87	1408.3	NC	4.4	- 79.0	(.02)	- 100.0	4770.0	70.0	73.9	81.6	.28	154.5
Wolohan Lumber M	13.00	- .25	- 1.9	13.13	12.25	13.25	7.50	3,547	6.05	2.30	163.0	14.4	.20	1.5	.....	fiscal	12-86	52.5	40.4	1.7	30.8	.29	31.8	194.4	29.0	5.3	51.4	.90	50.0
Zayre Corp N	28.38	- 1.75	- 5.8	30.25	26.50	43.88	20.75	28,110	4.76	2.90	64.1	18.3	.32	1.1	.....	fiscal	01-87	1777.0	32.4	43.8	20.3	.73	17.7	5350.6	32.6	92.4	- 2.3	1.55	- 4.3
Wholesalers																													
Moore Handley M	9.25	.50	5.7	9.25	8.25	19.25	6.75	259	1.03	1.66	- 38.0	18.1	.00	.0	.....	fiscal	12-86	20.7	19.7	.2	.0	.07	- 36.4	85.1	23.0	1.2	71.4	.51	13.3
Lewis Palmer M	9.88	1.13	12.9	9.88	8.88	9.88	7.25	2,837	7.23	2.71	166.8	29.9	.28	2.8	.....	fiscal	01-87	46.8	53.9	.1	.0	.02	100.0	187.2	33.0	1.3	44.4	.33	43.5
Stanline Inc M	12.75	1.50	13.3	14.00	10.50	12.75	7.84	2,882	16.98	2.15	689.8	13.1	.32b	2.5	.....	3 mos.	01-87	14.0	4.5	.3	.0	.20	33.3	14.0	4.5	.3	.0	.20	33.3
Manufacturers																													
Allegheny Int N	24.63	.13	.5	24.75	24.38	24.75	11.38	6,693	5.22	8.85	- 29.7	NE	.00	.0	.....	fiscal	12-86	NC	NC	(184.6)	NE	(13.20)	NE	1327.1	- 35.5	(184.0)	NE	(15.24)	NE
Am Consum Prods M	10.50	1.38	15.1	10.50	10.00	10.50	8.50	424	2.20	1.86	18.9	19.4	.00	.0	.....	fiscal	12-86	9.2	13.6	.2	100.0	(.01)	- 100.0	35.0	12.9	.7	133.3	.54	68.8
Am Standard N	49.50	- .50	- 1.0	51.88	45.75	51.88	36.00	7,825	2.55	1.36	72.6	9.4	1.60	3.2	.....	fiscal	12-86	769.7	- .6	33.0	- 9.1	1.00	8.7	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark M	16.50	- .13	- .8	17.13	15.88	17.13	10.00	623	.90	.92	- 2.2	16.2	.00	.0	.....	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrong Wld N	41.38	- .75	- 1.8	44.00	39.88	44.00	24.88	12,602	2.62	1.28	104.7	16.3	.84	2.0	.....	fiscal	12-86	498.4	16.5	30.1	33.2	.63	34.0	1920.3	14.4	122.4	21.3	2.54	21.0
Black & Decker N	19.75	- .63	- 3.1	20.25	18.00	25.25	14.50	25,952	4.47	3.12	43.3	42.9	.40	2.0	.....	3 mos.	12-86	529.0	1.4	22.4	7.2	.38	- 7.3	529.0	1.4	22.4	7.2	.38	- 7.3
Boise Cascade N	84.25	.50	.6	85.00	78.75	85.00	51.50	13,676	4.69	2.95	59.0	25.4	1.90	2.3	.....	fiscal	12-86	952.0	6.6	31.9	67.9	1.04	70.5	3740.0	.1	101.5	- 2.7	3.32	- 3.8
Certain-teed N	38.25	1.88	5.2	38.63	35.13	38.88	24.63	3,815	2.01	.69	191.3	12.7	.90	2.4	.....	fiscal	12-86	268.6	2.6	10.7	2.9	.57	3.6	1114.2	.4	57.3	7.3	3.02	10.6
Champ Intl N	42.13	2.75	7.0	43.13	38.50	43.13	22.50	74,140	7.88	3.00	162.7	20.3	.64	1.5	.....	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc N	39.00	- 1.50	- 3.7	40.50	38.25	43.75	34.25	566	1.18	.62	90.3	47.6	1.40	3.6	.....	fiscal	12-86	77.8	3.0	.4	- 86.2	.09	- 85.0	413.8	2.0	3.9	- 72.5	.82	- 72.4
Emhart Corp N	40.63	.00	.0	40.75	39.00	43.25	30.75	4,472	1.44	.94	53.2	NE	1.40	3.4	.....	fiscal	12-86	583.9	20.4	23.4	16.4	.66	- 9.6	2094.0	17.9	(10.0)	- 100.0	(.32)	- 100.0
Georgia-Pacific N	50.75	- 1.13	- 2.2	52.75	47.50	52.75	28.00	67,177	6.47	2.44	165.2	18.9	1.00	2.0	.....	fiscal	12-86	1781.0	12.0	83.0	2666.7	.75	NE	7223.0	7.5	296.0	67.2	2.69	74.7
Masco Corp N	23.75	.13	.5	24.38	22.88	26.25	17.38	10,920	5.26	2.33	125.8	15.0	1.00b	4.2	.....	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
Mo Pacific N	38.38	.38	1.0	38.88	35.50	38.88	22.09	12,406	3.27	2.81	16.4	22.3	.80b	2.1	.....	fiscal	12-86	382.2	22.3	16.8	147.1	.45	150.0	1506.2	19.5	64.9	154.5	1.72	152.9
Macmillan Bloedel M	21.25	- .59	- 2.7	22.00	19.53	24.88	6.75	22,052	2.36	.90	162.2	NA	.42	NA	.....	fiscal	12-86	542.2	- 9.9	23.3	14.2	.16	6.7	2511.7	7.5	133.3	210.7	1.07	494.4
Manville Cp N	2.38	.00	.0	2.50	2.25	8.13	1.63	7,772	3.24	2.70	20.0	1.0	.00	.0	.....	fiscal	12-86	463.1	- 2.4	17.3	- 17.2	.46	- 24.6	1920.3	2.1	81.2	NE	2.34	NE
Masco Corp N	40.00	.50	1.3	40.88	37.25	40.88	23.50	19,854	1.54	.91	69.2	25.6	.36	.9	.....	fiscal	12-86	450.0	- 36.2	55.4	- 60.8	.41	- 42.3	1452.0	25.8	203.4	23.6	1.56	21.9
Mid-Flo Inds M	13.00	- .25	- 1.9	13.38	13.00	18.13	12.00	76	.30	.27	11.1	40.6	.01	.1	.....	fiscal	12-86	47.3	- 10.4	(1.0)	- 100.0	(.38)	- 100.0	185.2	- 5.2	.8	- 81.0	.32	- 80.6
Newell Co N	37.00	.50	1.4	37.13	34.50	37.13	24.00	1,077	.94	.84	11.9	17.1	.84	2.3	.....	fiscal	12-86	105.5	9.2	7.4	34.5	.63	3.3	401.4	14.7	24.0	27.0	2.17	3.8
Owens Corn N	25.63	- .63	- 2.4	28.00	24.13	30.88	8.88	22,192	5.92	6.23	- 5.0	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	16.88	- .13	- .7	17.38	16.25	18.13	10.00	1,991	2.48	2.11	17.5	18.3	.12	.7	.....	fiscal	12-86	57.5	32.2	2.1	90.9	.20	33.3	226.4	36.0	8.1	92.9	.92	39.4
Pope & Talbot N	40.63	.88	2.2	41.13	37.75	43.50	17.75	4,744	7.90	3.90	102.6	15.4	.88	2.2	NEW	fiscal	12-86	81.9	9.3	8.4	1300.0	1.40	1300.0	310.2	- 4.6	15.8	135.8	2.63	136.9
Potlatch Cp N	81.50	1.00	1.2	83.75	77.88	83.75	41.25	2,944	2.22	1.32	68.2	16.4	1.68	2.1	.....	fiscal	12-86	243.3	7.0	20.2	359.1	1.45	457.7	976.4	2.7	70.0	85.7	4.98	127.4
Sherwin-Wms N	36.88	- .50	- 1.3	38.50	36.50	38.50	22.75	10,287	2.28	1.29	76.7	16.0	.56	1.5	NEW	fiscal	12-86	350.5	- 32.3	29.2	158.4	.80	233.3	1552.9	- 29.2	106.0	42.1	2.31	42.6
SW Forest Ind N	32.13	.25	.8	32.13	31.88	32.13	11.88	10,897	6.71	9.08	- 4.1	NE	.60	.0	.....	fiscal	12-86	169.9	.4	5.7	NE	.57	NE	631.5	- 9.8	(1.7)	NE	(.62)	NE
Stanley Works N	34.13	- .63	- 1.8	35.00	32.50	35.00	23.19	7,291	1.75	1.20	45.8	18.3	.76	2.2	.....	fiscal	12-86	256.2	- 20.5	23.5	- 8.6	.54	- 12.9	1371.3	13.5	78.8	.6	1.86	- 2.1
Stone Intl N	21.63	- .13	- .6	22.00	21.13	22.63	15.50	721	.73	.75	- 2.7	16.8	.68b	3.1	.....	fiscal	12-86	75.6	- 2.6	3.2	- 23.8	.32	- 23.8	296.2	- 4.3	12.8	- 21.0	1.29	- 21.8
USG Corp N	41.75	- .50	- 1.2	42.75	39.25	46.50	32.00	11,747	1.85	1.24	49.2	11.8	1.12	2.7	.....	fiscal	12-86	695.1	9.4	56.4	4.6	.93	13.4	2723.7	7.8	225.4	.7	3.54	5.4
Walter, Jim N	58.88	- 1.88	- 3.1	62.25	58.75	62.25	39.50	7,565	2.38	1.37	73.7	11.2	1.40	2.4	NEW	6 mos.	02-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Warnaco Intl M	10.88	- .38	- 3.2	11.50	10.50	13.25	6.34	1,004	1.59	2.22	- 28.4	13.6	.08	.7	.....	6 mos.	12-86	27.0	15.9	.8	60.0	.01	- 94.1	53.7	19.9	1.6	45.5	.25	- 28.6
Weyerhaeuser N	56.50	- .38	- .7	59.38	54.00	59.38	30.50	66,000	5.06	2.43	108.2	29.6	1.30	2.3	.....	fiscal	12-86	1450.6	17.2	96.1	51.1	.70	62.8	5652.0	8.6	276.7	38.3	1.91	44.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Latest 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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Asian currency, tariff turbulence hits industry

Retailers anxious over U.S. sanctions

By John Caulfield
NHCN staff editor

NATIONAL REPORT — The imposition of trade sanctions by President Reagan against certain Japanese products is unlikely to have a major impact on home centers selling power tools, the suppliers bringing them into the country, or American consumers buying these products.

The consensus among suppliers and dealers is that the power tools included among those

(Continued on page 95)

Rise in Taiwan dollar hikes price of imports

By Gary S. Ruderman
NHCN staff editor

NATIONAL REPORT — Negotiations between finance ministers of developing Asian countries and U.S. officials are hitting home center retailers in the pocketbook.

The U.S. dollar's "negotiated" decline in relation to the Taiwan dollar, resulting in a 15 percent appreciation of the Taiwan dollar last year, has meant price hikes of between 4 percent and 7 percent on imports sold at home cen-

(Continued on page 96)

The *NHCN* Top 10 for 1986

Chain	Total Sales (mil $)	% Change 85-86	Store Count
1. Lowe's	2,283	+10	300
2. Wickes Cos.	1,594	+38	397
3. Payless Cashways	1,528	+10	181
4. The Home Depot	1,011	+44	60
5. Grossman's	1,007	+15	272
6. Channel Home Centers	725	0	201
7. Builders Square	700	+92	87
8. 84 Lumber	683	+ 5	373
9. Sutherland	605	+ 5	96
10. Hechinger	588	+23	61
Top 10 Chains	10,724	+24	2,028

Source: *NHCN* TOP 150 Total Sales *NHCN* Chart

Revenues grew an average of 24 percent for the top 10 chains in 1986.

Volatile period sparks '86 industry realignment

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — In one of the industry's most volatile periods, 1986 will probably be remembered as the year of realignment.

Some of the more acquisitive companies turned out to be Wickes Cos., Payless Cashways, Handy Andy and Channel. Suppliers such as Stanley Works, Nortek, Newell Cos., Waxman Industries and Masco also added to their stable of companies through acquisitions. And mergers left three companies—Service Merchandise, Forest City and W.R. Grace—on the outside looking in.

Consolidation continues

The industry's consolidation moved forward inexorably, and it appears the once-fragmented home improvement industry is, through all these corporate maneuverings, taking on some monolithic features.

(Continued on page 32)

NHCN census shows top chain growth

Data collected by *NHCN* reveals that:

- Average revenue growth was 24 percent for the top 10 companies, but only 9 percent for the top 150.
- Companies doing over $20 million were responsible for 30 percent of the nation's $74 billion in building materials and hardware sales last year.
- Lowe's, the largest home center chain, accounted for 3.1 percent of the nation's building materials and hardware sales.
- The top 10 companies were responsible for 48 percent of the top 150 companies' $22.5 billion revenues.
- Employment increased 5.6 percent to 186,999 people at the top 150 chains.
- Stores increased 4.7 percent to 4,739 units at the top 150 chains.
- Sales per store ranged from $1.4 million to $16.9 million for the top 25.
- DIY sales per square foot ranged from $63 to $315 for the top 25 firms.
- The top 150 companies intend to maintain their store count this year.

The NHCN census section begins on page 27.

Busy Beaver could be placed on block

Dixons Group exploring options

By an NHCN staff editor

PITTSBURGH — Dixons Group, the London-based retail and financial conglomerate that gained a controlling interest in Cyclops, parent firm of Busy Beaver Building Centers, has filed a statement with the SEC stating that it may sell the 11-store home center chain.

"All we've actually done is ask our investment advisor, Morgan Stanley, to review a series of alternatives," said Gerald Corbett, Dixons' corporate financial director. "And one of those scenarios could be that Busy Beaver may be better off being run by another firm."

Corbett insisted, however, that Dixons was "extremely pleased" with Busy Beaver's financial performance, and was "excited" about its opening three prototype units in Buffalo, N.Y., this month.

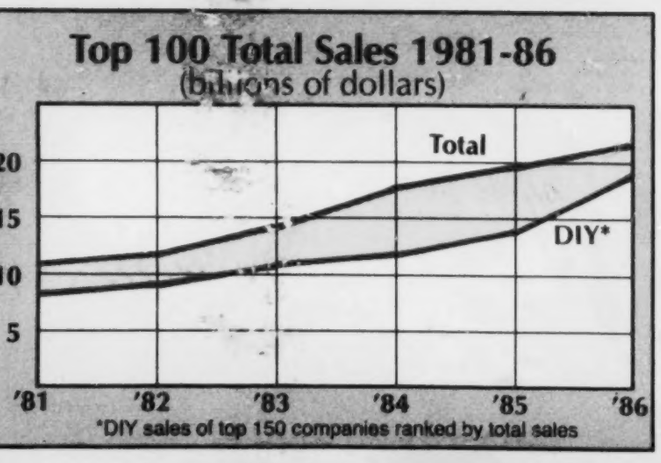
But, he noted, "one of the options we're having explored is whether, for the right price,

(Continued on page 95)

The London-based Dixons Group has Morgan Stanley studyng a number of options for its recently acquired Cyclops division that could include the sale of Cyclops' Busy Beaver chain. NHCN *photo*

INSIDE

The *NHCN* Annual Report on the Home Center Industry
The big chains got bigger in 1986, as consolidation continued to move the industry into its latest stage of maturity. The top 10 chains grew in sales by 24 percent, and the top 150 companies produced $22.5 billion in volume, an 11 percent gain over 1985.



NEWSBREAKS

RICKEL PARENT LBO: Management plans to buy Supermarkets General with Merrill Lynch for $1.8 billion, to deflect a hostile bid from Dart Group. Plans for Rickel weren't announced.

ACO DEBUTS SIX IN ONE DAY: Aco Hardware, Farmington Hills., Mich., opened six hardware stores simultaneously in Michigan April 23, a hardware industry record.

DEPOT'S NEW HQ: The Home Depot has moved into a new building at 2727 Paces Ferry Road, Atlanta.

INDUSTRY UPDATE

Sutherland seeks Calif. buyer

LOS ANGELES — Sutherland Lumber, which closed its only California stores in the City of Industry, La Mirada and Anaheim last summer, continues to search for a buyer for the shuttered outlets.

Family spokesman Craig Sutherland declined comment on the plans for disposition of the stores, which originally opened about six years ago.

An official with Buena Park Lumber said that the single-unit independent hired two former Sutherland employees and also purchased some of the La Mirada store's inventory during a liquidation sale last July.

Since then, the properties have been vacant.

Paint Factory enters San Diego

SAN DIEGO — The Paint Factory announced the locations of the first two of five stores planned for the San Diego area: an ex-Handyman in El Cajon and a build-to-suit in San Marcos, both San Diego County cities.

THE PAINT FACTORY

The El Cajon store, scheduled to open in June, will total 35,000 square feet and is located on Fletcher Parkway across from the Parkway Plaza Shopping Center. The San Marcos unit, scheduled to open in Vallecitos Towncenter in early 1988, will contain 30,000 square feet of selling space.

San Diego Glass closes doors

SAN DIEGO — San Diego Glass & Paint has closed the doors to its 17 store chain and completed the liquidation of its inventory, said Robert Shapiro, president.

While all the retail stores have stopped operating, Shapiro said that San Diego Glass & Paint will continue to install glass and metal at commercial and industrial sites.

The retail locations have been offered for lease.

The 59-year-old company had announced its plans to close in February when principal owner Bob Hanson explained that the chain "is not getting the return on investment that it could get if the owners go out of business and become real estate brokers."

The chain posted sale of $17 million for 1986.

Ziegler opens 8th unit

SPOKANE, Wash. — Ziegler Lumber Co. has opened its eighth unit, a 13,000-sq.-ft. retail showroom adjacent to a 10,000-sq.-ft. storage shed located on a 3½-acre site at the northern end of this city.

General manager Reid Ziegler said the unit, a retrofit of a grocery store, is the third Ziegler retail outlet to open in the Spokane market, where the privately held company is headquartered. The grand opening took place April 16.

Ziegler, which posted 1986 sales of $17 million, also operates four units in Idaho.

BE converts all Calif. Ole's units

IRVINE, Calif. — Proclaiming, "Now we're one, second to none!" in its mid-April circular, Builders Emporium has converted every Ole's Home Center in California to the BE name and format, giving BE a statewide store count of 98 units.

This makes the Wickes-owned division the state's leader in number of home centers it operates. The Ole's outlets, along with the San Jose-based Orchard Supply Hardware chain, were acquired last June from W.R. Grace.

The Ole's name hasn't been changed in Arizona.

Majority of stocks decline

NEW YORK — Home center stocks finally experienced a correction during the two-week period that ended April 16. Of the 56 stocks tracked for *NHCN* by Media General, 47 declined in price while only six increased. Three stocks remained unchanged.

Stanline dropped by 19.6 percent to $10¼. Wickes Cos. dropped 14.7 percent to $3⅜.

Pay 'N Pak increased 3.1 percent to $20⁴/₅, on news of a possible tender offer.

See financial tables, page 94.

Gainers 6

Unchanged 3

Losers 47

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Effort to take over Pay 'N Pak at standstill; co. to meet suitors

By an NHCN staff editor

KENT, Wash. — Florida investor Paul A. Bilzerian reached a standstill agreement with the management of Pay 'N Pak here, which said it would turn over internal company financial documents if Bilzerian agreed not to make a tender offer for the 107-unit, $398 million chain for 230 days.

Early last month, Pay 'N Pak had rejected Bilzerian's $171 million purchase offer, saying it was "inadequate." But the retailer agreed to meet with Bilzerian as well as other parties interested in buying the company.

Bilzerian, meantime, said he has retained Shearson Lehman Brothers Inc. to advise him on his bid for Pay 'N Pak. He controls a 9.99% stake in Pay 'N Pak and has made a $19-a-share bid for the company. (*NHCN*, April 20).

Pay 'N Pak said it is being assisted by Solomon Brothers in soliciting potential buyers for the company.

The retailer did not name parties that are interested in buying it, nor did it say what price it would accept in a takeover bid.

Marshall J. Weigel, Pay 'N Pak's vice chairman, told *NHCN* he could not discuss any aspect of the situation, adding, "My lips are sealed. When we are ready, we will make an announcement."

Bilzerian, who raised funds to purchase Pay 'N Pak's stock through investment bankers Morgan Stanley & Co. and Kidder, Peabody & Co., was traveling and could not be reached for comment.

Home centers and hotels?

However, Pay 'N Pak is not the only item on Bilzerian's takeover checklist. On April 21, the investor reportedly expressed interest in acquiring the hotel and restaurant properties of Ramada Inc., which operates or franchises over 98,000 rooms and two casinos.

Bilzerian did not make a formal offer for the company, but had requested a meeting with its chairman, Richard Snell. The company's stock, upon news of that request, rose $1.25 to close at $9.25.

Payless founder, Furrow, dies of heart ailment

By an NHCN staff editor

TUCSON, Ariz. — Vernon Furrow, a founder and former chairman of Payless Cashways Inc., died here April 17 of a heart ailment.

Furrow, 78, along with his brother and father, founded the entity which grew from a single lumberyard in Pocahontas, Iowa, to what is now a chain of 182 stores in 23 states.

"Vern Furrow was a true pioneer in our industry," said Payless' chairman and ceo David Stanley in a prepared statement. "He, above all others, set the tone and direction for our company and, to a large extent, for our industry.

"We are thankful to have had his leadership and foresight in guiding Payless Cashways from a regional lumberyard to a leading chain of speciality building materials stores."

The industry recognized Furrow in 1986, inducting him into the Home Center Hall of Fame and awarding him the industry's Pioneer Award.

Having begun their retail career in a store owned by the Minneapolis-based Fullerton Lumber, the three Furrows opened their first yard in 1930 and a second yard in 1931 in Early, Iowa.

A Payless spokeswoman said the Tucson store opened in 1947 was the first in the chain to be called a "Cashway Lumber Store to reflect the cash-and-carry philosophy."

When his father and brother died in 1959 and 1960, respectively, Vernon Furrow expanded the business further into Arizona and New Mexico.

With 16 units in 1969, the company went public, issuing 254,000 shares of stock at $13 a share. Furrow served as chairman from 1969 to 1971. He retired in 1971 but remained on the board until 1984.

He is survived by his wife, Dr. Virginia Furrow; three children: Betty Beving, Ackley, Iowa, Anne Furrow, Tucson and William Furrow, Robles Junction, Ariz.; two sisters, eight grandchildren and six great-grandchildren.

Dean A. Drake in December 1985 when he retired from O'Malley. NHCN photo

Former O'Malley exec. vp, Drake, dead at age 69

By an NHCN staff editor

PHOENIX — Dean A. Drake, former executive vp of the O'Malley Lumber Co. and general manager of its retail division, died March 24. He was 69.

Saying his retirement was "hastened a little bit by ill health," Drake resigned from O'Malley in December 1985 after working at the company for 35 years.

Beginning with his arrival in August 1950 and for the

(Continued on page 95)

Diamond Lumber and parent file Ch. 11

By an NHCN staff editor

DALLAS, TEXAS — Michigan General and Diamond Lumber filed for protection under Chapter 11 of the federal bankruptcy laws April 22.

The filing was made here at U.S. Bankruptcy Court for the northern district of Texas.

M-G, based in Saddle Brook, N.J., said its filing was necessary because of increasing pressure from its senior lender, CIT Business Credit, New York, a subsidiary of Manufacturers Hanover.

M-G has been experiencing a tightening cash squeeze in recent months, as a result of severe losses. CIT, which had been extending the company additional credit in order to provide working capital, decided that it could extend the credit no further.

"I would have hoped that we could have worked things out with the lender," said Jerold Grubstein, executive vp of M-G. "But we feel that with this filing we can reorganize and come out stronger."

Diamond Lumber lost $900,000 on revenues of $338.3 million in 1986. M-G lost $39.3 million on $386 million in revenues last year.

M-G reported assets of $201.3 million and liabilities of $189.5 million at the end of 1986.

Diamond Lumber also had to file for protection because it

(Continued on page 95)

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Survey: suppliers call import rules lenient

By an NHCN staff editor

SCHAUMBURG, Ill. — More than three out of five hardware suppliers think the Reagan administration is too "lenient" on imports, according to a newly published survey of manufacturers sponsored by the American Hardware Manufacturers Association (AHMA).

The trade issue was one of 40 business and economic subjects the AHMA explored with some 200 American hardware makers in its annual governmental relations survey.

Impact varies

The findings of the manufacturers' feelings on imports were included in the AHMA's 1987 survey which was released in late February, about four weeks before the Reagan administration imposed a 100% tariff on certain Japanese products, including selected power tools.

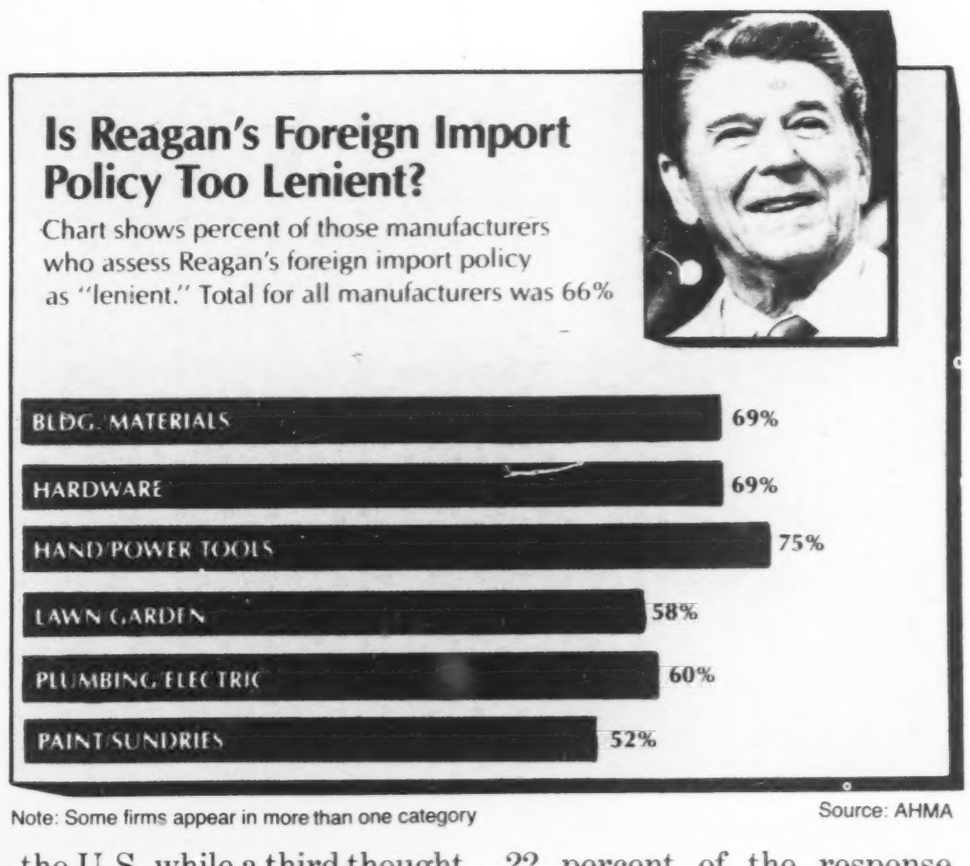
One-hundred-ninety-seven manufacturers responded to the question about President Reagan's forcefulness in protecting U.S.-made products from foreign invasion, and 65.5 percent thought his administration's policy was too lenient. The next largest group, about 30 percent, thought the policy was "about right." Only four percent, or eight respondents, believed the policy was restrictive.

When asked to measure the impact imports have had on their business, the manufacturers were equally divided. About one-third of the respondents—66 companies—thought imports have had a significant impact on their operations. A slightly larger group, or 35.5 percent, said imports were having a growing impact and 31 percent thought imports had minor or no impact.

In one of the most lopsided import inquiries, 91.8 percent of the survey's respondents thought that the price of imports accounted for foreign products increased market share. Some 16 percent thought the price of imports was moderately important.

On a separate but related issue, nearly a quarter of the respondents thought imports enjoyed a greater market share because consumers believed the products were of better quality. But some 59.9 percent, 112 companies, argued that import quality was moderately important to the foreign products penetration in the market.

Nearly two-thirds of the responding manufacturers thought that foreign goods increased in market share because of noncompetitive labor costs. About 64 percent felt that higher labor costs abetted import penetration into the U.S. while a third thought labor costs were of moderate importance. A scant five percent thought it had no impact.



Taiwan viewed as toughest

By sizable majorities, Taiwan, Japan, and Korea were identified by the respondents as the toughest foreign competitors. More than eight in 10 respondents saw the Taiwanese as tough competitors, followed by the Koreans (54 percent) and the Japanese (53 percent).

Half of the 164 manufacturers responding to a query examining the percentage of foreign components that go into American products said no overseas parts were used to make their goods. But two groups, both of whom equaled 22 percent of the response group, said two percent to five percent of the components in their products were foreign made. A scant 1.3 percent said half of the components in their products were made overseas.

The study revealed that the amount of exporting these manufacturers do varies. For instance, close to 40 percent of the survey's respondents were getting only five percent or less of their sales from overseas business. But some 17 companies, or 10.7 percent of the respondents, said they earned 10 percent of their sales overseas.

Despite the prevailing commitment to sales in the U.S., more than half of the respondents were looking forward to increasing their export sales.

Carpet flap could affect Wickes Cos. statement

By Brad Aitman
NHCN staff editor

SANTA MONICA, Calif. — Wickes Cos.' 1986 financial results probably will not get an unqualified endorsement from its outside auditor, Arthur Andersen & Co., because of concern that carpet produced by one of its new subsidiaries does not meet certain flammability standards.

Wickes said its Collins & Aikman subsidiary, a textile manufacturer that Wickes acquired in January for $1.16 billion, sold a polyvinyl chloride-backed carpeting primarily to commercial and industrial markets that did not meet "radiant panel flammability tests" or smoke density tests of "some building codes."

The Collins & Aikman floorcovering division has sold more than 30 million square yards of the carpeting in the past decade, generating sales of about $360 million at today's prices, Wickes said.

William Krenn, Wickes' director of public relations, declined to elaborate beyond Wickes' initial statement released April 15. The statement said Wickes believes the carpeting complies with the Federal Flammable Fabrics Act standards, and that Collins & Aikman has been delivering the carpet for about 18 years "without any known incidence of fire-related injuries related to the carpeting."

A source at Wickes' Builders Emporium based in Irvine, Calif., said that the carpet in question "was a commercial grade" sold to commercial and industrial markets and Wickes' retail outlets "did not sell it."

"We're talking with Collins & Aikman now on some programs they have" for possible inclusion in the BE merchandise mix, the BE source elaborated, saying he didn't know

(Continued on page 96)

Pergament opens 'superstore' in Bethpage, N.Y.

Ready for competition

By an NHCN staff editor

BETHPAGE, N.Y. — Pergament has added hundreds of home decor items, including linens, Oriental rugs and bedding, to a newly reopened unit in preparation for this year's market onslaught into its Long Island stronghold by Hechinger and Mr. Goodbuys.

If the new lines prove successful, they will be "extended to all of our stores," Bruce Pergament, senior vp-administration, said in published comments.

He also said that the company will open six other "superstores" this year that will test the new departments.

Pergament held the grand reopening of its 150,000-square-foot store here in mid-April amid a flood of local advertising that boasts the store's large size.

"New York's largest home center," according to the 42-unit, Melville, N.Y.-based retailer, features expanded furniture and flooring departments, bedding and housewares including electric appliances and dishes. Bed and bath linens, storage products, stationery and personal care items are also included as well as picture frames and prints.

Pergament is apparently trying to focus on home decor lines that are strongly featured at Hechinger and Mr. Goodbuys.

Philadelphia-based Mr. Goodbuys and Hechinger, Landover, Md., will have stores in nearby Long Island communities. Mr. Goodbuys will open a 105,000-square-foot unit in Westbury and Hechinger will be in Huntington.

A Rickel store is located less than one mile from Pergament in Bethpage.

In addition to the new items and departments, the newly remerchandised Pergament store also includes three leased departments, a snack bar, optician and a jewelry counter.

Pergament calls its reopened superstore New York's largest home center in grand opening flyer.

Pergament executives declined to discuss the newly remerchandised store with *NHCN* and would not allow photographs.

Pergament created 25,000 square feet of space at the two-level store by discontinuing leased departments for apparel, sporting goods, shoes and stationery products and replacing them with new company-owned departments.

Pergament said the company has no plans to add other departments, and commented that the Bethpage store is an experiment.

"We don't know if [the expansion] will work, but if it does, it'll be extended to all of our stores," Pergament told *Discount Stores News*, a trade publication.

The two-level store has hardlines departments upstairs and the new domestics categories plus the kitchen and bath departments, downstairs.

Several shoppers said they liked the new store. Nick Apostolo, a customer who works as a teacher and part-time handyman, said the new format makes it easier for him to find what he needs.

However, one female shopper said she would never buy any of the furniture featured at the store because it looked "too cheap," but is sure others would. She was shopping Pergament that day for food storage containers.

Other departments where new products are featured include the paint area, complete with Oriental and contemporary rugs. An information counter, lawn and garden, lumber, millwork, lighting and a reduced automotive department are on the right side of the store.

Downstairs, customers shop in a carpeted department store environment. Access is through two staircases.

Varied mix

About 20 outdoor furniture vignettes set on a wood plank floor with coordinated rugs are displayed between the staircases.

Stock bisects the furniture department. On one side, Pergament has seven bedroom vignettes, including bedding, computer desks and file cabinets. On the right, the store is outfitted with folding tables, dinette sets and a grouping showing den furnishings.

Barbecue grills, bug zappers and outdoor games separate furniture from bed and bath linens. The domestics department includes towels, sheets, bath curtains, pillows, blankets and comforters.

Behind domestics is the bath section. Along with

(Continued on page 95)

Texas dealers fight lien laws

By Milford Prewitt
NHCN staff editor

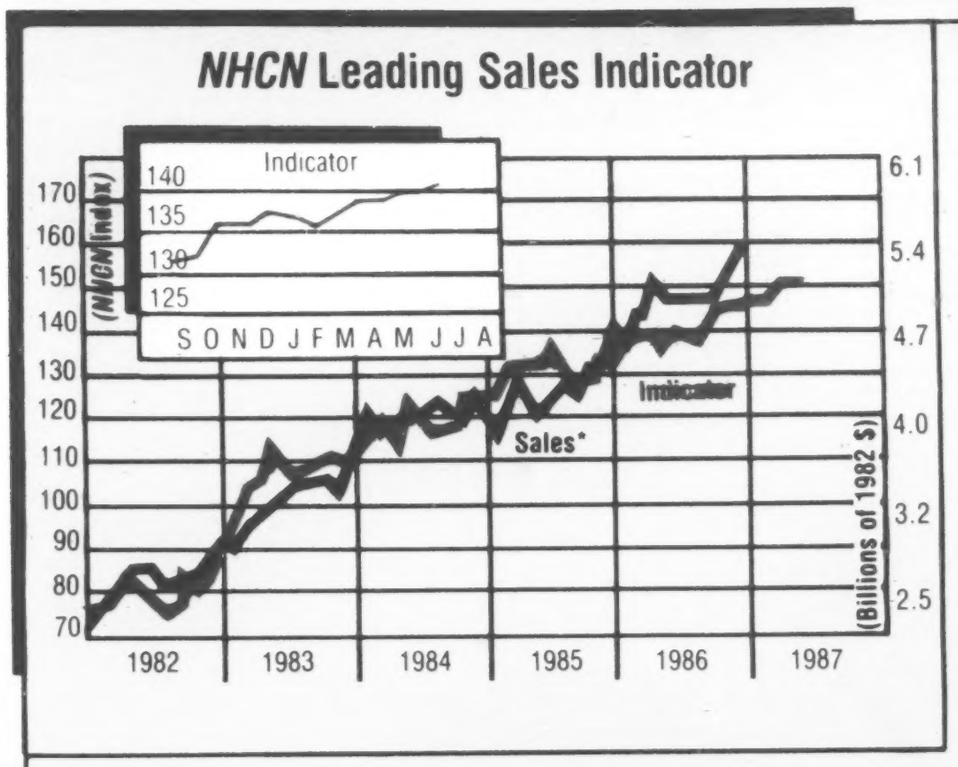
AUSTIN, Texas — Texas lumber dealers are racing the clock and seeking allies in a broad political effort to revise the state's lien laws which, they say, adversely impact all suppliers to construction sites.

The dealers have joined with other building material suppliers to form the Texas Construction Industry Council (TCIC). It's a lobbying group whose mission currently is to change lien laws which have allowed banks and other lenders to be the first to recover their money when foreclosing on construction sites.

The group is currently backing two bills. One would force banks to watch how their construction loans are spent and ensure the ability of suppliers to recoup funds when foreclosed properties are re

(Continued on page 14)

BUSINESS WATCH



The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986, although they fell in January. Single-family housing starts exceeded 1.3 million in February and will remain near 1.2 million units during 1987 as interest rates decline.

Strength of high-end housing market to fuel sales this year

By Richard E. Mount
Special to NHCN

NEW YORK — The strength of the high-end housing market is projected to fuel building materials sales this year.

Even though the economy is in the late stages of its recovery, commodities volume should still increase by 11 percent, and 6 percent in unit volume, as these more expensive homes require more building products, are sold to higher income households, and generate residual sales after they are purchased.

Upgraded Homes

There has been a year-long slowdown in housing starts in general, and the national economy has been weak in the first half of the year.

Richard E. Mount

But the sale of high-end homes—those new units selling for more than $120,000—have been propelled sharply during this period, following three distinct phases:

- In 1983-84, real incomes rose 4.5 percent per year as the economy rebounded from the 1980-82 recession. Mortgage rates dropped from 17.2 percent in early 1982 to 13.6 percent by the end of 1984, making housing more affordable. The Northeast economy rose the fastest and housing prices there are above the national average. Homes costing over $120,000 rose from 15 percent of the total in 1982 to 22

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1985 QI	1986 QII	1986 QIII	1986 QIV	1986 QI	1987 QII	1987 QIII	1987 QIV	1985	1986	1987
	***NHCN* Leading Sales Indicator** (January 1980 = 100)	124.7	127.9	132.1	137.1	138.6	140.2	143.4	142.8	118.5	130.4	141.3
General Economic Outlook												
	GNP $1982 Billion	3,655.9	3,661.4	3,686.4	3,696.1	3,720.6	3,736.3	3,760.9	3,789.7	3,585.2	3,700.5	3,753.4
	Real Disposable Income $1982 Bil.	2,581.2	2,625.8	2,605.5	2,593.4	2,620.6	2,627.6	2,640.3	2,656.1	2,528.0	2,602.3	2636.3
	Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,625	1,610	1,650	1,675	1,733	1,762	1,640
	Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,810	1,740	1,720	1,700	1,742	1,806	1,693
	New Home Sales (000 SAAR)	789	794	686	709	715	715	735	750	688	749	729
	Resales (000 SAAR)	3,256	3,470	3,615	3,927	3,475	3,500	3,500	3,525	3,214	3,565	3,500
	Prime Rate %	9.4	8.6	7.9	7.5	7.5	7.8	7.8	7.8	9.9	8.4	7.4
	Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	9.1	9.0	9.4	12.5	10.2	8.9
	Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	334.6	337.9	341.6	345.6	322.1	328.3	338.9
	Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.1	292.0	294.8	298.2	301.4	293.9	289.7	298.1
	New Housing Affordability 1980-100)	128.6	129.4	126.1	127.8	131.4	133.4	132.6	133.9	117.6	128.0	132.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	91,800	84,009	88,907	90,140	93,474	96,292	99,299	101,438	80,267	88,712	97,626
	Maintenance and Repair	37,700	29,700	38,038	39,107	39,845	40,606	41,461	42,246	35,358	36,136	41,040
	Additions and Alterations	33,900	40,300	33,212	32,684	34,517	35,857	37,515	38,248	28,775	35,024	36,534
	Major Replacements	20,200	14,000	17,656	18,349	19,112	19,829	20,323	20,944	16,134	17,551	20,052
Constant	**Total Millions $1982 SAAR**	83,655	74,718	78,300	78,600	80,700	82,310	84,040	85,000	74,614	78,818	83,013
	Maintenance and Repair	34,353	26,418	33,500	34,100	34,400	34,710	35,090	35,400	32,864	32,093	34,900
	Additions and Alterations	30,892	35,847	29,250	28,500	29,800	30,650	31,750	32,050	26,791	31,122	31,063
	Major Replacements	18,408	12,453	15,550	16,000	16,500	16,950	17,200	17,550	14,959	15,603	17,050
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,404,848	1,421,400	1,478,632	1,478,620	1,476,907	1,501,555	1,524,331	1,544,053	1,373,941	1,445,875	1,511,711
	Total Minus Automobile	1,094,680	1,098,912	1,112,548	1,123,804	1,135,907	1,155,925	1,177,322	1,191,303	1,061,148	1,107,486	1,165,114
	Building Material, Hardware, Garden Supply, Mobile Home	83,952	85,316	86,540	87,136	88,829	91,533	94,163	97,003	74,062	85,736	92,882
	Building Material and Supply	61,260	62,580	62,956	64,584	66,076	68,432	70,590	73,907	53,841	62,845	69,751
	Hardware	11,404	11,460	11,832	11,748	12,289	12,522	12,691	12,863	11,092	11,611	12,591
Constant	**Total Millions $1982 SAAR**	1,306,486	1,337,991	1,380,017	1,374,182	1,359,000	1,368,000	1,375,000	1,379,000	1,282,772	1,349,669	1,370,250
	Total Minus Automobile	1,026,722	1,048,913	1,054,219	1,059,193	1,060,000	1,068,000	1,077,000	1,079,000	997,299	1,047,262	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	78,808	82,347	82,367	81,208	81,966	83,625	85,176	86,876	70,215	81,183	84,411
	Building Material and Supply	57,497	60,401	59,924	60,190	60,790	62,150	63,475	65,800	51,035	59,303	63,054
	Hardware	10,706	11,063	11,262	10,949	11,340	11,440	11,480	11,520	10,507	10,995	11,445
	Building Materials % of Total Less Automobile ($Current)	5.60	5.69	5.66	5.75	5.82	5.92	6.00	6.20	5.07	5.67	5.99

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
May 4, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Strength of housing market to fuel '87 sales

(Continued from page 18)

percent by 1984;

- In 1985, the high end rose to 24 percent from 22 percent the previous year. The advance in the high end slowed as growth in the economy moderated, mortgage rates rose during the year causing single-unit housing starts to decline, and builders were saddled with excess capacity for most of the year and cut selling prices;
- In 1986, the high end boomed to 30 percent of the total. Consumers wanted larger homes with more amenities than in the past when mortgage rates dropped in the spring after oil prices crashed.

Sales reach all-time high

New sales reached an all-time high in March because of rates. Continued strength in the Northeast economy raised the price of building lots, labor and materials. Builders in the Northeast, because of higher building costs, were forced to upgrade units to remain profitable.

Weakness in the southern market during this time put many resales on the market at sharply reduced rates, eroding the low end of the new home market. In the South, new homes costing over $120,000 rose to 19 percent of the total, from 17 percent in 1985, while the under-$60,000 homes dropped to 18 percent from 25 percent.

The high end of the new home market will remain near 30 percent in 1987 and possibly could go higher. In the first two months of this year, the over-$120,000 units accounted for 38 percent of the total; a year ago it was only 26 percent.

Housing stronger

Housing is strengthening in the Midwest where manufacturing wages are above the national average. This region was late in entering the economic expansion and the high end of the housing market will do well there over the next few years.

Manufacturing sectors are also benefitting from the fall of the dollar, which is beginning to be reflected in higher output of domestically produced goods.

However, we do not expect the high end of new home sales to remain at 38 percent for the remainder of the year. Incomes have not risen as rapidly as new home prices, which have pushed many potential buyers right out of the market.

Mortgage rates appear to be on the rise as well. [For example, the government raised the maximum rate on Veterans Administration guaranteed home mortages by a full point to 9½ percent on April 13, the first increase in two years. Several banks jacked up their 15-year, fixed rate mortgages a half percentage point around the same time.]

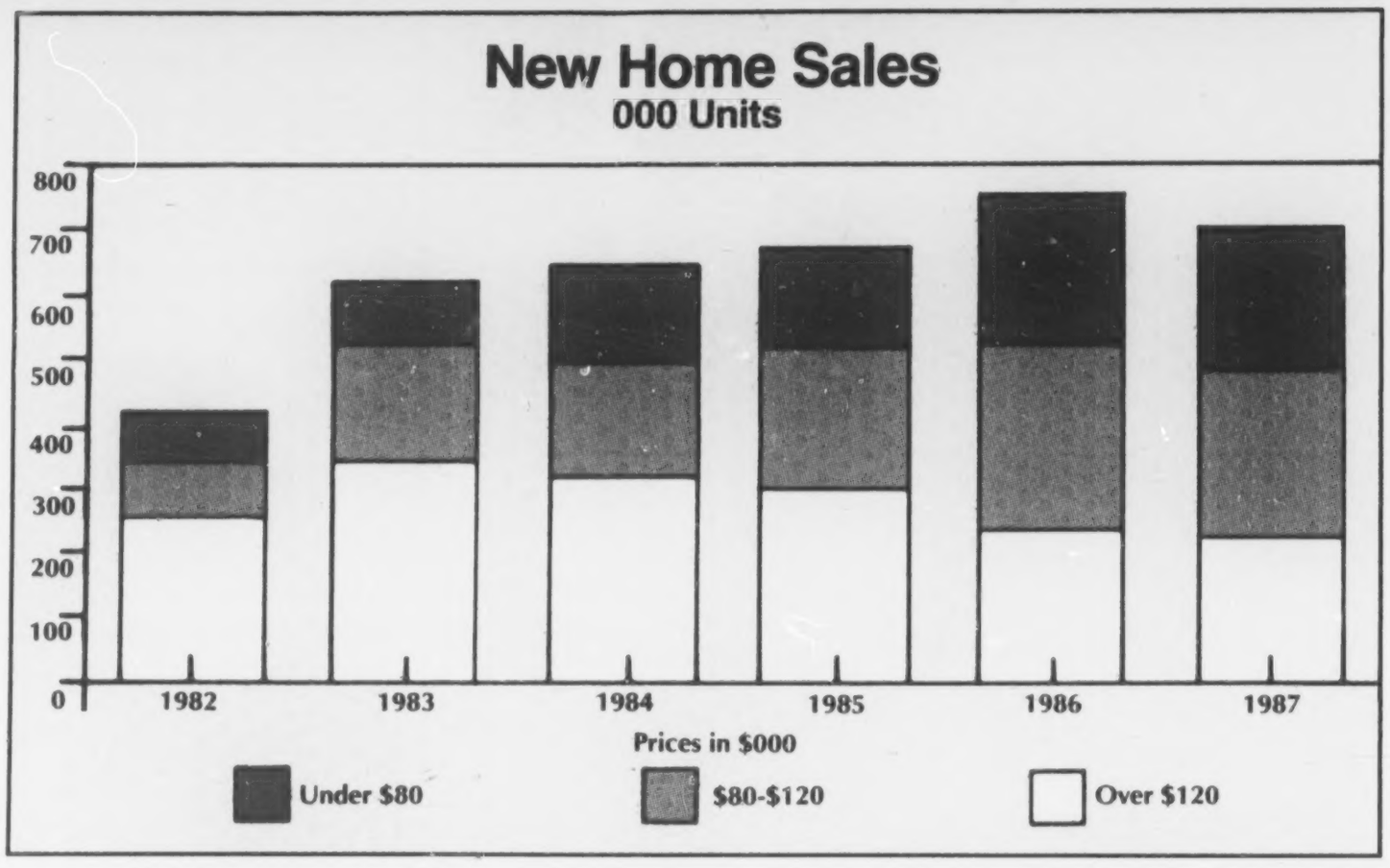
Plus, the new tax law increases the after-tax cost of housing, and the economy will be sluggish until the second half of 1987.

Sales outlook still strong

Nevertheless, continued strength in the high end of the new housing market will benefit building material sales this year.

The demand for building materials, especially of a higher grade, will be strong during the construction process, and the post-sale market develops as new homeowners make additional purchases to change their new houses into homes.

While gains in building material sales will not rise as rapidly as the 17 percent gain in 1986, the industry still faces another outstanding year.



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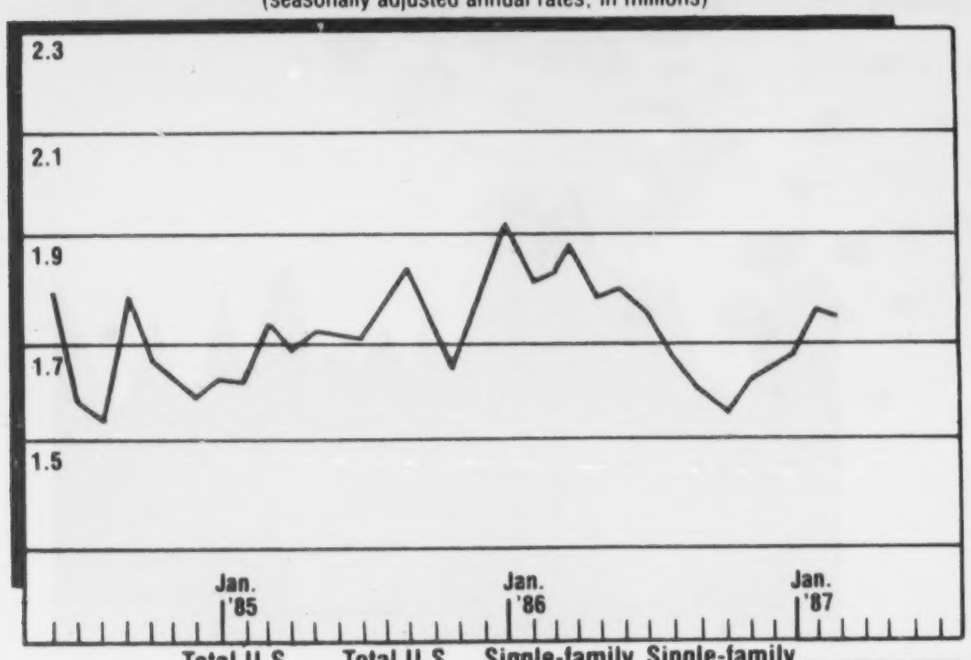
HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

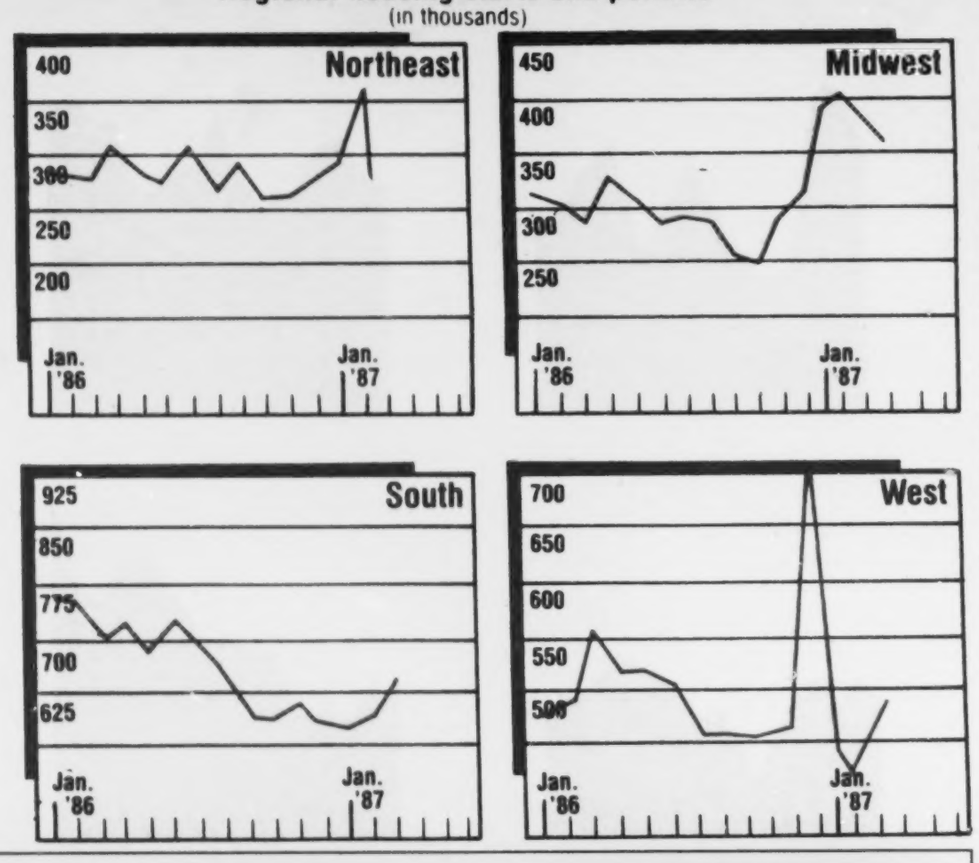


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
Feb. '87	1,815	1,764	1,317	1,235
Jan. '87	1,804	1,690	1,247	1,091
Feb. '86	1,923	1,808	1,183	1,033

Key: permits, starts

Source: U.S. Commerce Department

Regional housing starts and permits
(in thousands)



Cold, snow stall March house starts

By an NHCN staff editor

NATIONAL REPORT — Cold and snowy weather stalled the start of new housing construction in March by 3.2 percent below the February pace, to a seasonally adjusted annual rate of 1.774 million units, the United States Department of Commerce reported.

Single-family starts fell 4.2 percent in March, to an annualized 1.245 million units, 4.2 percent ahead of the March 1986 pace and stronger than the category's expected performance this year.

Only the Northeast posted a gain in housing starts in March to 278,000 units, seasonally adjusted, up 6.8 percent from February and 1.4 percent from last March.

Permit activity declined nationally in March but the South and West posted advances.

Housing permits dipped three-tenths of one percent to 1.757 million units, seasonally adjusted, 4.2 percent below the March 1986 pace. Single-family permits fell by 7.7 percent, to 1.132 million units, but were up 8.5 percent from last March.

Permits in the South and West advanced 6 percent and 11.4 percent, respectively.

Despite a surge in housing starts in the Northeast in March, permit activity dropped by 10.1 percent to an adjusted 319,000 units, 15.6 percent ahead of its year-earlier pace.

The South posted the largest monthly starts decline in March, falling 6.5 percent to an annualized 621,000 units, which was 18.8 percent below its March 1986 pace. Permit activity between February and March, however, rose 6 percent to 637,000 units, but was still 11.3 percent below last March.

The Midwest charted a 4.2 percent decline in starts, to 365,000 units, seasonally adjusted, but was still 13 percent ahead of last year. Permits, however, were down 12.9 percent during this same period, to 351,000 units, seasonally adjusted. But even that pace was 22.3 percent above last March.

Starts activity declined the least in the West in March, dropping 3.7 percent to 491,000 units, down 3.2 percent from last March. Permits rose 11.4 percent to 450,000 units, but were still 18.8 percent below March 1986.

Regional Housing
Feb. '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	277	−13.2	353	+20.1
West	519	+ 8.1	405	− 7.3
South	662	+13.2	597	+ 4.7
Midwest	393	− 6.4	409	+ 5.1

n.c. = no change
Source: U.S. Commerce Department

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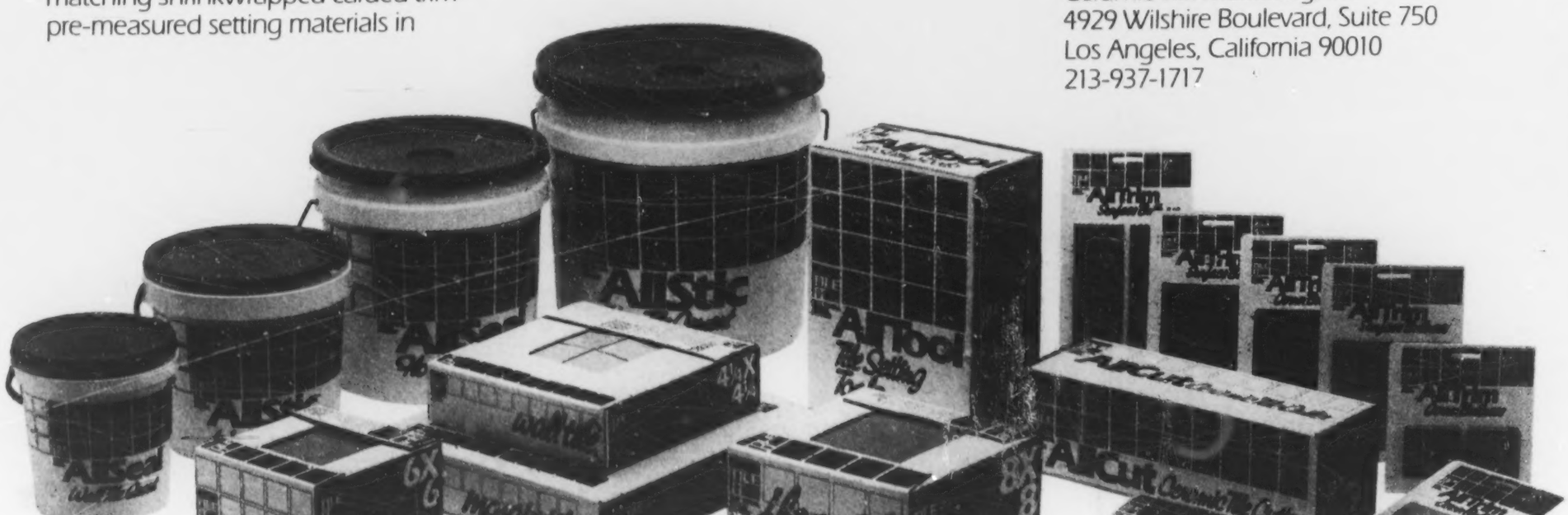

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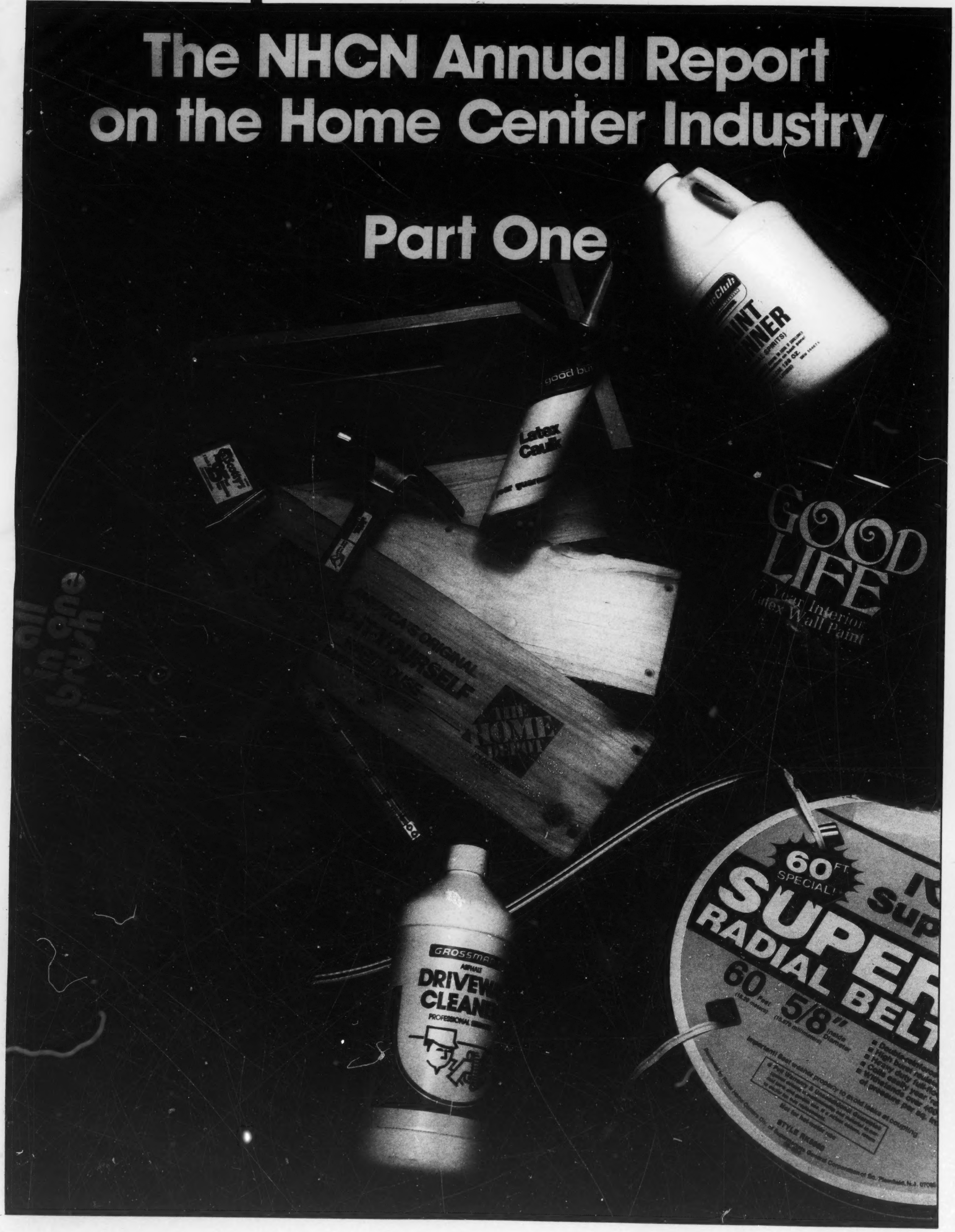
Perspectives

The NHCN Annual Report on the Home Center Industry

Part One



THE TOP 150 HOME CENTERS

Retail sales of hardware and building materials will grow by more than 12 percent to $83 billion this year, according to Commerce Dept. estimates. Five states—California, Texas, Florida, New York and Illinois—are expected to generate more than $30 billion in sales of these products in 1987, by *Editor & Publisher* estimates. These findings correspond with the accelerated rate of expansion by many of the larger home improvement chains into these states last year, expansion that is expected to continue, albeit more moderately, over the next several months.

Total U.S. Retail Building Material, Hardware & Supply Sales
1987 Projection: $83 Billion*

*Source: U.S. Department of Commerce

State Sales Projections in Millions
(Rank among 50 states)†

†Source: Editor & Publisher 1987

Perspectives

annual report

Large companies see dramatic growth in '86

By an NHCN staff editor

NATIONAL REPORT — The bigger they were, the faster they grew.

So went the tale of the home center industry in 1986.

For the largest retailers, reshuffling of assets and reassessment of corporate strategies brought about much stronger revenue increases than in 1985.

The same cannot be said for the industry as a whole.

The numbers on *NHCN's* Top 150 chart show aggregate revenues for all companies increased 12 percent to $22.5 billion. That's not much higher than the 11 percent increase to $21 billion the top 150 firms recorded a year earlier.

When each of the companies is given equal weight in the averaging process (*i.e.*, when the percentage gains for each company are added together, then divided by the number of firms compared), the top 150 firms reported a 9 percent increase in total revenues in 1986. This lower figure suggests there was a key group of firms making sales increases more dramatic than the majority of companies.

Looking closer at the Top 150 chart, it's not difficult to find out where they were.

When results from each of the top 10 firms are given equal weight average revenue increases came to 24 percent. That's up from a comparable 13 percent experienced by the previous year's top 10.

Even when revenues of the top 10 firms are taken as an aggregate they increased by 19 percent. In 1985, the top 10 aggregate revenues increased only 11 percent.

As for the top 25 firms, the average company increase was 19 percent, or 13 percent when revenues are combined.

From there on down, company performance was less aggressive.

Total revenues for firms ranking 51st through 100th increased only 6 percent to $2.8 billion. As for 101st to 150th ranked companies, total revenues were flat at $1.5 billion.

The big tides created by the largest firms, then, might tend to mask the fact that much of the mid- and lower-level revenue makers in the industry saw slow growth or no growth in 1986.

That's surprising, given figures from the U.S. Department of Commerce, which estimate building materials and hardware sales reached $74 billion in 1986, up by 14 percent over the $64.9 billion of the previous year. Commerce estimates that sales from these products should grow 12.2 percent this year to $83 billion.

Clearly, a greater share of the building materials pie is going to the big hitters.

For 1987, the growing dominance of larger chains could help accelerate the merger and acquisition activity so common last year.

While revenues at smaller companies were flat, the total volume generated by such firms was not sufficient to alter dramatically the portion of total national revenues they comprised.

The top 150 companies were responsible for 30 percent of the nation's retail sales of building materials and hardware last year. That's down just one percentage point from the previous year.

As for the top 10 companies, they accounted for 14 percent of national sales in the product categories. While the largest companies are gradually accounting for more of the total building materials market, that growth has not been dramatic enough to alter the percentage more than a fraction.

Consumer transactions made up 53 percent of all sales rung up at the top 150 chains, a figure even with 1985.

However, the larger firms appeared to have renewed their efforts to attract more contractor sales, and the DIY-builder sales ratio shifted last year for these companies.

The consumer share of the sales pie for the top 10 companies dropped two percentage points to 77 percent in 1986.

Top 10 industry chains post 24% revenue gain to total $10.7 billion

By an NHCN staff editor

NATIONAL REPORT — For the home center industry's top 10 chains, 1986 represented a year of recovery from a troubling 1985.

Figures culled from *NHCN's* Top 150 chart reveal a much stronger upper tier of companies.

Of the top 10 firms, not a single company reported a drop in revenues in 1986. In contrast, both 84 Lumber and Evans Products reported revenue drops in 1985.

When each of the top 10 firms are given equal weight, the rise in revenues in 1986 was 24 percent to $10.7 billion.

That compares with a 13 percent increase to $9.9 billion for the chains making up the top 10 a year earlier.

And when the total revenues of the top 10 chains are added together and compared with a similar total last year—a method of assessing the performance of the companies as a group rather than as individual entities—the rise was 19 percent. That's up considerably from the 11 percent clocked for the chains in the previous year's group.

The improvements can be attributed to a combination of reshuffling of the players in the field and a reassessment of company strategies.

Two firms whose results dampened the top 10 results—W.R. Grace and Evans Products—dropped from the top 10 list entirely. Builders Square—a fast growing warehouse chain—entered the top 10 ranks for the first time while Scotty's, a slower growth company, dropped out.

84 Lumber rebounded from 1985's 13 percent drop in revenues to report a five percent increase.

Staying in the top 10 level of the industry takes, it appears, a commitment to home center retailing as a "pure play."

Two firms that devote all of their efforts to home center retailing—Channel and Grossman's—replaced Grace and Evans, the two conglomerates that departed the industry.

A more comprehensive version of the map of the Top 150 home center chains on pp. 28-29 is available from NHCN for $25. Additional information includes each chain's sales, store count, average square footage, and DIY sales percentage, headquarters address and phone number. Also on the map is a ranking, by sales, of the top wholesale buying groups; and a calendar of the industry events Requests for the map should be made to the Publisher, National Home Center News, 425 Park Ave., New York, N.Y. 10022. 212-371-9400.

Industry wrings more sales out of units, expands with caution

By an NHCN staff editor

NATIONAL REPORT — Wring more sales out of existing stores. And be more cautious about expansion in the future.

Those are two prevailing business philosophies in the home center industry last year, judging from some of the numbers on this year's Top 150 chart.

The top 10 chains increased their total store counts by 12.7 percent last year, to 2,028. But they increased their total revenues by a much heftier 19.3 percent, to $10.7 billion.

The top 10 chains in the home center industry increased their total store counts by 12.7 percent last year, to 2,028. But they increased their total revenues by a much heftier 19.3 percent, to $10.7 billion.

Some of the numbers from the individual companies reflect the larger trend.

Lowe's achieved sales of $7.6 million per store, up from $7.3 million in 1985.

Payless Cashways' comparable figures were $8.4 million in 1986 and $8.2 million the year before.

Looking at the larger picture, a pattern of increased store productivity again emerges. The top 150 home center companies increased their total store counts last year by 4.7 percent, to 4,739 units.

But their total revenues went up 12.4 percent, to $22.5 billion.

All this fits into a historical picture of long-range attempt to bolster productivity in the marketplace.

The top 10 companies achieved an aggregate of $7 million per store last year.

That's up from $6.4 million per store those same chains achieved in 1985.

In 1984, the top 10 chains achieved $4.4 million per store, up from $3.8 million per store the previous year.

As for the cautious look to the future, numbers gathered for *NHCN's* Top 150 chart show that the top 150 chains expect to be operating a total of 4,736 stores by the end of this year.

That's slightly down from the 4,739 units they ran at the end of 1986.

Even the top 10 companies seem to be cutting back, as far as their plans for rolling out units.

By the end of this year they expect to be operating a total of 2,111 stores, up 4.1 percent over the number they operated at the end of 1986.

That's considerably off the 12.7 percent increase they registered for 1986.

Top Chains Bolster Productivity

Rank	Company	Total Sales Per Employee ($)	Total Sales Per Store (mil. $)	DIY Sales Per Sq. Ft. ($)
1	Lowe's	154,465	7.6	279
2	Wickes Cos.	99,625	4.0	268
3	Payless Cashways	111,655	8.4	271
4	The Home Depot	153,182	16.9	179
5	Grossman's	134,267	3.7	99
6	Channel Home Centers	76,316	3.6	66
7	Builders Square	70,000	8.0	65
8	84 Lumber	243,929	1.8	110
9	Sutherland	201,667	6.3	315
10	Hechinger	66,818	9.6	161
11	Scotty's	84,500	3.9	63
12	Rickel	78,491	9.2	168
13	HomeClub	91,111	14.6	146
14	Pay 'N Pak	185,116	3.7	133
15	Menard's	115,152	11.2	136
16	Diamond Lumber	187,778	3.9	131
17	Lanoga	173,398	2.4	170
18	Ernst Home Centers	103,333	4.2	112
19	Central Hardware	87,097	7.7	140
20	Pergament	96,296	6.2	138
21	West Building Materials	94,545	4.1	135
22	Erb Lumber	187,500	5.9	269
23	Carter-Jones Lumber	105,000	1.4	99
24	Wolohan Lumber	253,595	5.0	115
25	McCoy's	191,000	2.7	124

Home center sales per store ranged from $1.4 million to $16.9 million in 1986.

Perspectives

annual report

Volatile period spurs year of home center realignment

(Continued from page 1)

A broad glimpse of the industry showed the following developments:

- More than 400 stores changed ownership at some point in 1986;
- Several well-known manufacturers were either weakened or strengthened by takeovers and takeover attempts, and;
- The consolidation that marked retailing in years past spread to the hardware and building product distributors.

For instance, last year's business tone was set when two hardware wholesale co-ops—Our Own Hardware and Gambles, both of Minneapolis—merged to provide a better offensive front in the competitive farm economy of the Midwest.

In the closely watched saga of the W.R. Grace divestitures, two new companies emerged and Wickes grew by 108 units.

Grace's divestiture of its 317-unit home center empire marked the single largest ownership change in the industry in 1986 and heralded the creation of Home Quarters Warehouse and Channel Home Centers Inc., a merger of Grace Central Region and Channel, as two independent and privately held companies.

As reported in this paper and other national publications through most of 1986, Grace needed more than $600 million to buy back one-quarter of its common shares that were being sold off by the West German Flick Group.

Along with Grace, other well-known players such as Mr. HOW and Forest City also bid farewell to the industry.

Service Merchandise pulled the plug on its Mr. HOW warehouse subsidiary, ending the 27-unit, four-year-old chain's bumpy tenure in the industry. Its stores were later bought by Handy Andy, Central Hardware and Builders Square.

Big boys get bigger

But others, like Wickes, Builders Square and Payless Cashways, continued their relentless path for expansion by either opening stores or buying companies.

In one of the larger acquisitions last year, Wickes bought Grace West's 108 stores for $180 million in the spring and earlier had purchased the 9-unit Kindt for an undisclosed sum. Wickes was also pursuing manufacturers by going after Owens-Corning Fiberglas and National Gypsum.

Both quests proved unsuccessful (Wickes eventually settled on buying Collins & Aikman Corp.), but the process left Owens-Corning a different company. In a defensive move against Wickes' takeover, O-C literally cannibalized itself, selling off most of its divisions with the exception of its fiberglas insulation and roofing products.

Armstrong was one of the winners in the O-C spinoffs, buying the latter's ceiling division.

Payless Cashways also plowed ahead to acquire companies that could enhance the firm's performance. So it was that in the fall Payless paid $24 million in acquiring Knox Lumber, the 10-unit retailer in St. Paul, Minn.

Besides acquiring six Mr. HOW units, Handy Andy, based in Gurnee, Ill., purchased the 18-unit Forest City chain in early 1987, giving it immediate penetration into Cleveland and Detroit.

Grace's divestiture of its 317-unit home center empire marked the single largest ownership change in 1986.

Erb Lumber, Birmingham, Mich., was also on the trail of acquisitions in 1986. In June, Erb bought the 21-unit Peter Kuntz chain, of Dayton, Ohio, for $22 million.

Manufacturers targeted

Company swapping wasn't reserved to retailers, however, as the ownership of several major producers switched hands last year.

In September, the Cleveland-based Glidden Company, one of the country's largest paint makers, was purchased by the British firm, Imperial Chemical Industries PLC, for $580 million.

Some other manufacturer developments included:

- Masco Corporation, the Taylor, Mich., firm whose companies include Peerless Faucets, Weiser Lock, Merillat Cabinets, and the Plumb Shop, bought six companies over a four-day span this January. The firms added around $80 million in sales to Masco's total volume;
- General Felt paid $290 million for Color Tile late in the year;
- Nortek bought the Dixieline Lumber chain in San Diego, and, earlier this year, made a stab at acquiring Stanline, a California-based wholesaler;
- Stanley Works bought the Bostitch division of Textron Inc., for $193 million. Bostitch makes fasteners and fastening tools for professionals. Throughout 1986, Stanley acquired eight firms, and ended the year with the $80 million purchase of National Tool.

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The NHCN Top 150 Total Sales

Rank '86	Rank '85	Company	Total Sales (Mil $) 1986	1985	% Chg.	% DIY 1986	1985	Number of Stores 1986	1985	'87 proj.	Showroom (000) Sq Ft Store avg.	Chain total	Sku's Store avg.	Total	Employees '86 #
1	1	**Lowe's Cos.,** North Wilkesboro, N.C.	**2,283**	2,072	10	**55**	52	**300**	282	318	15	4,500	15,000	26,000	14,780
2	4	**Wickes Cos.,** Santa Monica, Calif.[1]	**1,594**	1,152	38	**60**	60	**397**	275	397	9	3,573	10,000	10,000	16,000
3	3	**Payless Cashways,** Kansas City, Mo.[2]	**1,528**	1,390	10	**90**	91	**181**	169	193	28	5,068	13,500	15,000	13,685
4	6	**The Home Depot,** Atlanta	**1,011**	701	44	**85**	85	**60**	50	76	80	4,800	25,000	25,000	6,600
5	NL	**Grossman's,** Braintree, Mass.[3]	**1,007**	875	15	**80**	81	**272**	276	274	30	8,160	12,000	20,000	7,500
6	NL	**Channel Home Centers,** Whippany, N.J.[4]	**725**	725	0	**75**	100	**201**	204	175	41	8,241	22,000	25,000	9,500
7	12	**Builders Square,** San Antonio, Texas	**700**	365	92	**65**	65	**87**	30	122	80	6,960	24,000	24,000	10,000
8	7	**84 Lumber,** Eighty-Four, Pa.	**683**	652	5	**60**	60	**373**	375	383	10	3,730	7,500	7,500	2,800
9	8	**Sutherland,** Kansas City, Mo.	**605**	578	5	**100**	100	**96**	85	98	20	1,920	10,000	12,000	3,000
10	9	**Hechinger,** Landover, Md.	**588**	479	23	**100**	100	**61**	54	75	60	3,660	40,000	40,000	8,800
11	10	**Scotty's,** Winter Haven, Fla.[5]	**507**	473	7	**65**	65	**131**	124	145	40	5,240	15,000	15,000	6,000
12	11	**Rickel,** South Plainfield, N.J.	**416**	385	8	**100**	100	**45**	42	51	55	2,475	30,000	40,000	5,300
13	19	**HomeClub,** Fullerton, Calif.	**410**	250	64	**100**	100	**28**	18	35	100	2,800	12,500	12,500	4,500
14	15	**Pay 'N Pak,** Kent, Wash.	**398**	333	20	**100**	100	**107**	106	108	28	2,996	15,000	15,000	2,150
15	13	**Menard's,** Eau Claire, Wis.	**380**	350	9	**85**	85	**34**	31	35	70	2,380	45,000	50,000	3,300
16	16	**Diamond Lumber,** Sacramento	**338**	326	4	**20**	20	**86**	96	70	6	516	14,000	14,000	1,800
17	14	**Lanoga,** Seattle	**322**	335	(4)	**50**	50	**135**	140	NA	7	945	17,500	17,500	1,857
18	18	**Ernst Home Centers,** Seattle	**310**	260	19	**100**	100	**73**	73	75	38	2,774	25,000	25,000	3,000
19	17	**Central Hardware,** Bridgeton, Mo.	**270**	270	0	**100**	100	**35**	31	35	55	1,925	27,000	40,000	3,100
20	23	**Pergament Home Centers,** Melville, N.Y.	**260**	200	30	**100**	100	**42**	40	47	45	1,890	30,000	30,000	2,700
—	19	**West Building Materials,** Atlanta	**260**	250	4	**50**	50	**64**	64	64	15	960	18,000	20,000	2,750
22	26	**Erb Lumber,** Birmingham, Mich.	**249**	190	31	**50**	50	**42**	26	44	11	462	10,000	10,500	1,328
23	23	**Carter-Jones Lumber,** Kent, Ohio	**210**	200	5	**55**	55	**146**	146	146	8	1,168	8,000	8,000	2,000
24	30	**Wolohan Lumber,** Saginaw, Mich.	**194**	151	28	**53**	57	**39**	34	42	23	897	7,000	14,000	765
25	25	**McCoy's,** San Marcos, Texas	**191**	193	(1)	**70**	80	**72**	65	80	15	1,080	8,000	8,000	1,000
26	22	**Handyman,** San Diego, Calif.[6]	**178**	228	(22)	**100**	100	**53**	53	0	40	2,120	25,000	25,000	3,500
27	29	**Gerrity Building Centers,** Meredith, N.H.	**171**	159	8	**10**	7	**16**	16	17	12	192	9,000	12,000	765
28	28	**Forest City,** Cleveland[7]	**160**	160	0	**100**	100	**18**	18	18	65	1,170	30,000	30,000	2,400
29	37	**Handy Andy,** Gurnee, Ill.[8]	**150**	106	42	**98**	98	**24**	16	45	62	1,488	25,000	30,000	2,000
30	19	**Mr. HOW Warehouse,** Margate, Fla.[9]	**147**	250	(41)	**95**	95	**0**	27	0	75	0	30,000	30,000	0
31	32	**National Lumber,** Fountain Valley, Calif.	**135**	135	0	**100**	100	**18**	19	20	60	1,080	24,000	24,000	1,500
—	34	**O'Malley's,** Phoenix	**135**	120	13	**30**	30	**16**	16	16	25	400	20,000	20,000	600
33	40	**Mr. Goodbuys,** Philadelphia	**125**	75	67	**95**	95	**12**	8	15	70	840	35,000	35,000	1,700
34	35	**Knox Lumber,** St. Paul, Minn.[10]	**124**	118	5	**95**	95	**10**	10	11	22	220	22,000	22,000	800
35	NL	**Dixieline,** San Diego, Calif.[11]	**105**	102	3	**40**	40	**5**	5	10	18	90	25,000	25,000	650
—	38	**Lloyd Home & Building Ctrs.,** Danbury, Conn.	**105**	95	11	**70**	68	**34**	35	37	12	408	12,000	13,000	1,000
37	36	**Foxworth-Galbraith,** Dallas	**101**	111	(9)	**45**	40	**53**	53	53	12	636	12,000	12,000	1,450
38	44	**Copeland Lumber Yards,** Portland, Ore.	**100**	85	18	**40**	52	**75**	80	80	5	375	6,000	6,000	600
—	40	**Edward Hines Lumber,** Chicago	**100**	90	11	**40**	40	**24**	26	24	9	216	8,000	9,000	800
—	46	**Terry Companies,** Tarzana, Calif.	**100**	80	25	**10**	10	**13**	12	13	6	78	10,000	10,000	455
41	45	**Meeks Building Centers,** Springfield, Mo.	**94**	83	13	**40**	40	**23**	22	25	15	345	20,000	20,000	450
42	40	**Strober Brothers,** Brooklyn, N.Y.	**93**	78	19	**5**	5	**9**	8	9	15	135	12,000	12,000	300
43	39	**Hill-Behan Lumber,** St. Louis.	**92**	91	1	**49**	49	**34**	34	34	12	408	13,000	13,000	850
44	33	**Boise Cascade,** Boise, Idaho	**90**	130	(31)	**20**	20	**18**	26	18	10	180	10,000	35,000	1,060
—	NL	**Lindsley,** Miami Lake, Fla.[12]	**90**	105	(14)	**100**	100	**20**	43	20	27	540	15,000	15,000	700
46	NL	**ACO,** Farmington Hills, Mich.	**85**	80	6	**85**	85	**48**	42	48	15	720	20,000	25,000	1,100
—	47	**Lampert Lumber,** St. Paul, Minn.	**85**	77	10	**65**	70	**45**	46	45	9	405	6,000	25,000	650
48	43	**Anderson Lumber,** Ogden, Utah	**84**	80	5	**30**	30	**23**	23	23	6	138	15,000	15,000	550
49	50	**Lyman Lumber,** Excelsior, Minn.	**82**	67	22	**3**	3	**4**	5	4	10	40	8,000	10,000	400
50	51	**Alexander Lumber,** Aurora, Ill.	**80**	65	23	**25**	20	**53**	53	53	5	265	10,000	10,000	350
—	49	**Westlake Ace Hardware,** Moberly, Mo.	**80**	70	14	**91**	91	**38**	33	45	22	836	21,000	21,000	700
52	51	**Valu Home Centers,** Buffalo, N.Y.	**76**	65	17	**100**	100	**25**	22	25	27	675	13,000	16,000	590
53	87	**P.F. O'Connor,** Providence, R.I.	**74**	71	4	**65**	49	**9**	10	10	17	153	10,000	10,000	400
—	69	**Scherer Brothers,** Minneapolis, Minn.	**74**	50	48	**10**	10	**3**	2	3	3	9	8,000	10,000	275
55	58	**Wolf Organization,** York, Pa.	**72**	60	20	**35**	33	**26**	24	29	3	78	4,000	9,000	130
56	58	**Courtesy Home Centers,** Mt. Prospect, Ill.	**70**	60	17	**100**	100	**6**	5	6	50	300	35,000	35,000	910
—	48	**Seacoast Building Centers,** Conway, S.C.	**70**	75	(7)	**25**	20	**11**	12	12	15	165	12,000	18,000	400
—	56	**Williams Brothers,** Atlanta	**70**	62	13	**30**	32	**9**	9	9	12	108	13,000	13,000	425
59	57	**Stambaugh-Thompson,** Youngstown, Ohio	**69**	61	13	**100**	100	**20**	20	22	28	560	21,000	21,000	750
60	58	**A.C. Houston Lumber,** Wichita, Kan.	**65**	60	8	**25**	30	**11**	11	11	10	110	12,000	19,500	400
—	58	**Busy Beaver,** Pittsburgh	**65**	60	8	**95**	95	**11**	11	14	30	330	13,000	14,000	350
—	51	**Mack Industries,** Hollywood, Fla.	**65**	65	0	**20**	20	**4**	4	4	20	80	9,000	11,000	530
63	54	**Brown-Graves,** Akron, Ohio	**64**	64	0	**20**	20	**5**	5	5	12	60	10,000	10,000	350
64	NL	**Aubuchon Hardware,** Westminster, Mass.	**62**	54	15	**100**	100	**132**	132	139	4	528	8,500	8,500	853
65	58	**Chase-Pitkin,** Rochester, N.Y.	**60**	60	0	**93**	93	**11**	11	11	40	440	30,000	30,000	750
—	74	**Eclipse Industries,** St. Louis	**60**	48	26	**95**	97	**9**	9	11	50	450	20,000	25,000	350
—	67	**Peter Kuntz,** Dayton, Ohio[13]	**60**	57	5	**50**	50	**21**	21	0	20	420	15,000	20,000	375
68	66	**Cox Lumber,** St. Petersburg, Fla.	**58**	57	2	**22**	19	**13**	13	13	15	195	8,000	10,000	520
69	76	**General Building Products,** Medford, N.Y.	**57**	44	30	**38**	42	**4**	4	5	25	100	13,000	15,000	260

The NHCN Top 150 Total Sales

Rank '86	Rank '85	Company	Total Sales ($Mil) 1986	1985	% Chg.	% DIY 1986	1985	Number of Stores 1986	1985	'87 proj.	Showroom (000) Sq Ft Store avg.	Chain total	Sku's Store avg.	Total	Employees '86 #
—	54	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	57	64	(11)	95	91	10	12	11	34	340	22,000	22,000	560
—	82	**Seigle's Home & Building Centers,** Elgin, Ill.	57	42	36	35	31	6	5	6	27	162	21,000	24,500	383
72	73	**National Home Center,** Springdale, Ark.	56	49	14	50	41	4	4	5	42	168	19,000	22,000	425
73	NL	**Home Quarters Warehouse,** Virginia Beach, Va.[14]	55	50	10	100	100	4	3	7	80	320	25,000	25,000	550
—	68	**Parr Lumber,** Aloha, Ore.	55	53	4	16	19	9	9	9	4	36	15,000	15,000	230
75	93	**East Coast Lumber,** East Hamptstead, N.H.	53	37	43	20	16	3	2	3	30	90	6,000	6,000	230
76	75	**Goodman's Lumber,** San Francisco	51	47	9	100	100	4	4	4	50	200	15,000	25,000	220
—	58	**Ray Lumber,** Phoenix, Arizona	51	53	(4)	2	2	3	3	3	5	15	12,500	12,500	345
78	76	**Bellevue Builders Supply,** Schenectady, N.Y.	50	44	14	34	34	1	1	1	22	22	15,000	15,000	220
79	69	**Church's Lumber,** Utica, Mich.	50	50	0	75	76	15	15	16	20	300	12,500	15,000	350
80	82	**Ganahl Lumber,** Anaheim, Calif.	50	42	19	15	17	3	4	3	9	27	14,000	20,000	300
—	65	**M.G. Building Materials,** San Antonio, Texas	50	58	(14)	50	48	4	4	4	10	40	12,000	12,000	100
—	69	**National Lumber,** Warren, Mich.	50	50	0	2	2	1	1	1	20	20	7,000	7,000	150
—	69	**Star Lumber,** Wichita, Kan.	50	50	0	50	50	3	3	3	30	90	28,000	28,000	400
—	88	**Stevenson Lumber,** Stevenson, Conn.	50	40	25	10	13	1	1	2	4	4	7,000	7,000	155
85	91	**Curtis Lumber,** Ballston Spa, N.Y.	49	39	25	40	41	7	6	8	14	98	9,500	9,500	220
—	76	**Mid-Cape Home Centers,** Orleans, Mass.	49	44	11	25	25	8	8	8	10	80	17,000	20,000	252
87	97	**Lezzer Lumber,** Curwensville, Pa.	48	35	37	50	49	6	6	6	18	108	14,000	14,000	150
88	82	**The Paty Co.,** Piney Flats, Tenn.	46	42	10	55	55	6	6	6	20	120	13,000	13,000	400
89	92	**Daniels-McCray Lumber,** Kansas City, Mo.	45	38	18	2	5	3	3	3	3	9	9,000	9,000	160
—	97	**General Building Supply,** East Hartford, Conn.	45	35	29	25	25	2	1	2	8	16	12,000	15,000	115
—	97	**Hancock Co.,** Casco, Me.	45	35	29	46	46	8	6	8	4	32	11,000	15,000	140
92	108	**Haddonfield Lumber,** Haddonfield, N.J.	43	33	30	8	12	6	4	6	3	18	8,000	8,000	140
93	88	**E.C. Barton,** Jonesboro, Ark.	42	40	5	25	20	27	27	27	5	135	10,000	10,000	350
94	109	**Fagen's,** Verona, Pa.	42	36	17	35	34	12	13	12	10	120	8,000	10,000	200
—	27	**Homecrafters Warehouse,** Birmingham, Ala.[15]	42	184	(77)	65	65	0	28	0	11	0	14,500	28,000	0
—	97	**J.T.'s Home Centers,** Middletown, R.I.	42	35	20	35	34	5	4	5	17	85	20,000	30,000	310
—	139	**Nassau Suffolk Lumber,** Hauppauge, N.Y.	42	32	31	30	30	6	6	6	15	90	10,000	12,000	200
98	80	**Causeway Lumber,** Ft. Lauderdale, Fla.	41	43	(5)	12	12	3	3	3	5	15	8,000	8,000	300
99	97	**Kempsville,** Virginia Beach, Va.	40	38	5	22	11	1	1	1	12	12	13,250	13,250	178
100	NL	**Lester Group,** Martinsville, Va.	39	21	86	30	35	5	2	5	13	65	15,000	18,000	400
101	95	**Plywood Minnesota,** Minneapolis	38	36	6	95	61	11	10	12	35	385	5,000	5,000	300
—	110	**Woodbury and Sons,** Glens Falls, N.Y.	38	31	23	43	43	8	8	9	8	64	12,000	14,500	250
103	97	**Lampert Yards,** St. Paul, Minn.	37	35	6	46	46	29	29	29	4	116	35,000	45,000	290
—	97	**Rigg's Supply,** Kennett, Mo.	37	35	6	75	86	8	7	9	50	400	50,000	50,000	160
105	NL	**National Hardgoods Dist.,** Stoughton, Mass.	36	34	6	100	100	27	21	33	16	432	27,500	28,000	472
—	110	**Triangle Building Centers,** Quakertown, Pa.	36	29	24	76	80	4	4	7	40	160	22,875	24,500	240
107	88	**Fullerton Lumber,** Minneapolis, Minn.	35	40	(13)	40	40	34	38	34	13	442	12,000	12,000	400
—	58	**Great Plains Supply,** St. Paul, Minn.	35	40	(13)	30	30	35	42	35	4	140	8,000	12,000	260
—	97	**L&P Building Supply,** Albuquerque, N.M.	35	35	0	20	20	7	7	7	8	56	8,000	8,000	155
—	93	**Ply-Marts,** Norcross, Ga.	35	37	(5)	11	11	3	4	3	6	18	2,000	2,000	175
111	110	**Masten Lumber,** Milford, Del.	34	27	26	27	23	7	7	7	11	77	15,000	15,000	300
112	107	**Crissey-Fowler Lumber,** Colorado Springs, Colo.	33	34	(3)	15	15	1	1	1	23	23	20,000	20,000	120
—	97	**M.L. Claster & Sons,** Bellefonte, Pa.	33	31	6	55	49	11	12	11	8	88	7,000	7,000	235
114	110	**Babbitt Brothers,** Flagstaff, Ariz.	32	30	7	40	40	6	6	6	10	60	10,000	12,000	135
—	82	**Calcasieu Lumber,** Austin, Texas	32	42	(24)	2	2	1	1	1	10	10	13,000	13,000	100
—	110	**Standard Supply & Lumber,** Grand Rapids, Mich.	32	30	7	25	25	11	9	11	5	55	12,500	15,000	155
—	76	**Stripling Blake Lumber,** Austin, Texas	32	44	(27)	20	20	2	1	2	30	60	35,000	35,000	200
118	97	**City Mill,** Honolulu	31	35	(11)	91	91	5	5	5	45	225	21,000	21,000	350
—	110	**Panning Lumber,** Orlando, Fla.	31	30	3	8	10	7	7	7	5	35	12,000	12,000	250
120	82	**Big Tin Barn,** Diboll, Texas	30	42	(29)	15	14	6	6	5	20	120	10,000	10,000	120
—	110	**Braver Lumber,** Detroit	30	30	0	87	87	11	11	11	8	88	8,000	12,000	250
—	110	**Builders Supply,** Omaha, Neb.	30	30	0	13	13	1	1	1	20	20	20,000	20,000	200
—	95	**Mayfield Building Supply,** Arlington, Texas	30	36	(17)	0	0	1	1	2	3	3	5,000	5,000	175
—	110	**O. B. Thompson,** Hopkins, Minn.	30	30	0	83	83	8	8	8	10	80	22,000	23,000	400
125	121	**Hayward Lumber,** Salinas, Calif.	29	29	0	33	34	7	7	7	12	84	14,000	20,000	222
126	126	**All American Home Center,** Downey, Calif.	28	26	8	100	100	1	1	1	173	173	85,000	85,000	265
—	122	**Babcock Building Supply,** Melbourne, Fla.	28	28	0	50	50	8	8	8	40	320	30,000	30,000	300
—	126	**Millard Lumber,** Omaha	28	28	0	31	31	2	2	2	18	36	25,000	29,000	190
129	126	**Fairfield Lumber,** Fairfield, Conn.	27	23	17	12	12	1	1	1	40	40	15,000	15,000	150
—	122	**Herndon Lumber,** Gainesville, Va.	27	28	(4)	1	7	1	1	1	5	5	5,000	5,000	210
131	133	**Builderama,** Savannah, Ga.	26	23	13	78	83	7	6	8	30	210	18,500	19,000	325

The NHCN Top 150 Total Sales

Rank '86	Rank '85	Company	Total Sales (Mil $) 1986	1985	% Chg.	% DIY 1986	1985	Number of Stores 1986	1985	'87 proj.	Showroom (000) Sq Ft Store avg.	Chain total	Sku's Store avg.	Total	Employees '86 #
—	124	**Cofer Brothers,** Atlanta	26	27	(4)	11	11	1	1	1	28	28	10,000	10,000	75
—	129	**Gee Lumber,** Chicago	26	25	4	80	80	15	13	11	25	375	35,000	35,000	450
—	NL	**Hinckley Home Centers,** Hyannis, Mass.	26	21	24	35	35	3	3	4	7	21	24,000	72,000	150
—	129	**Sackett & Peters,** Whittier, Calif.	26	25	4	100	100	2	2	2	80	160	37,000	37,000	164
136	110	**Elk Supply,** Clinton, Okla.	25	30	(17)	80	77	17	16	17	12	204	30,000	30,000	127
—	129	**Levy's Lumber,** Louisville, Ky.	25	25	0	84	84	5	4	5	62	310	25,000	25,000	300
—	133	**Spahn and Rose Lumber,** Dubuque, Iowa	25	23	9	55	52	24	25	24	10	240	15,000	15,000	175
—	139	**Stine Lumber,** Sulfur, La.	25	22	14	80	80	6	6	6	15	90	6,500	6,500	186
—	124	**T.H. Rogers Lumber,** Oklahoma City	25	27	(7)	67	67	31	33	31	3	93	15,000	15,000	200
141	132	**Champion Lumber,** Riverside, Calif.	24	24	0	0	4	1	1	1	10	10	1,000	1,000	66
—	133	**Manis Lumber (Wheeler's),** Rome, Ga.	24	23	7	36	36	6	6	6	8	48	8,000	10,000	125
—	NL	**Moser Lumber,** Naperville, Ill.	24	24	0	22	28	2	2	2	25	50	24,000	30,000	190
—	141	**TAPJAC Co.,** Carthage, Mo.	24	21	14	65	65	14	12	14	12	168	10,000	20,000	260
145	133	**Hacienda Home Centers,** Albuquerque, N.M.	23	23	2	100	100	6	6	6	21	126	15,000	15,000	280
—	133	**Martin Home Centers,** Alexandria, La.	23	23	0	30	26	5	6	6	10	50	9,000	9,000	100
147	133	**Bailey Lumber,** Bluefield, W. Va.	22	23	(4)	65	65	15	17	15	4	60	7,500	10,000	225
—	NL	**Lummus Supply,** Atlanta, Ga.	22	19	16	40	40	4	4	5	8	32	8,000	10,000	56
—	NL	**Wallich Lumber,** Detroit, Mich.	22	15	47	10	15	2	2	1	10	20	10,000	10,000	70
150	141	**Hughes Lumber,** Tulsa, Okla.	21	21	0	75	81	10	10	11	15	150	8,500	8,500	150
TOP 10 TOTALS AND AVERAGES			10,724	8,989	24	77	79	2,028	1,800	2,111	37	50,612	17,900	20,450	92,665
TOP 25 TOTALS AND AVERAGES			15,439	13,155	19	75	76	3,107	2,836	3,088	36	79,120	18,440	20,960	134,215
TOP 50 TOTALS AND AVERAGES			18,250	15,925	13	65	66	3,755	3,532	3,726	30	91,609	17,660	20,140	158,845
TOP 100 TOTALS AND AVERAGES			21,006	18,527	13	55	55	4,299	4,085	4,284	25	100,043	15,818	18,118	176,296
TOP 150 TOTALS AND AVERAGES			22,459	19,975	9	53	53	4,739	4,526	4,736	24	106,303	16,438	18,698	186,999

Subsidiary Companies

Company	Subsidiaries	Total Sales (Mil $) 1986	1985	% change	% DIY 1986	1985	Number of Stores 1986	1985	'87 proj.	Showroom (000) Sq. Ft. Store avg.	Chain total	Sku's Store avg.	Total	Employees 86 #
PAYLESS CASHWAYS	**Somerville Lumber,** Somerville, Mass.	130	93	40	85	85	6	3	6	42	252	42,000	42,000	1,000
WICKES COS.[16]	**Wickes Lumber,** Vernon Hills, Ill.	1,080	912	18	50	50	245	212	245	9	2,205	10,000	10,000	7,100
	Builders Emporium, Irvine, Calif.	709	640	11	100	100	131	156	131	35	4,585	20,000	20,000	7,600
	Orchard Supply Hardware, San Jose, Calif.	163	155	(50)	80	80	21	21	21	33	693	50,000	50,000	2,600
LANOGA	**Lumbermen's,** Olympia, Wash.	65	60	8	45	57	16	14	16	10	160	12,500	12,500	375
	Spenard's, Anchorage	130	148	(12)	34	34	11	11	11	9	99	19,000	19,000	350
	United Building Centers, Winona, Minn.	127	127	0	47	47	108	115	108	6	648	NA	NA	1,125
GROSSMAN'S[17]	**Eastern Region**	881	758	16	NA	NA	241	244	242	NA	NA	NA	NA	NA
	Western Region	126	117	8	NA	NA	31	32	32	NA	NA	NA	NA	NA

Footnotes

[1]Wickes Cos. includes revenues from dates of purchase of Orchard Supply Hardware (July 1986), Grace Home Centers West (July, 1986), and Homecrafters Warehouse (September, 1986).

[2]Payless Cashways has restated its annual revenues to include full year revenues from Knox Home Centers, which it acquired in October, 1986.

[3]Grossman's became a new corporation after Evans Products emerged from bankruptcy proceedings in November, 1986.

[4]Channel Home Centers became a new company after a leveraged buyout from W.R. Grace in December, 1986. Revenues include results from Grace's Central Region (Handy City, Handy Dan, House Works).

[5]Scotty's fiscal year ended June 30. Chart numbers are for calendar year.

[6]Handyman ceased operations in December, 1986.

[7]Forest City stores were sold to Handy Andy in March, 1987.

[8]Handy Andy results include sales from date of purchase in June, 1986 of six Mr. HOW stores. It purchased 18 Forest City stores in March, 1987.

[9]Mr. HOW Warehouse ceased all operations by August, 1986.

[10]Knox was sold to Payless Cashways in October, 1986.

[11]Dixieline was sold to Nortek in late 1985.

[12]Lindsley closed 23 stores, and conducted going out of business sales for each, in September and October of 1986.

[13]Peter Kuntz was sold to Erb Lumber in July, 1986.

[14]Home Quarters Warehouse became a privately held company in a leveraged buy out from W. R. Grace in November, 1986.

[15]Homecrafters Warehouse was purchased by Wickes in September, 1986.

[16]Wickes Cos. subsidiaries have annualized revenues, while Wickes Cos. on the main chart has revenues only from the date subsidiaries were purchased. Builders Emporium includes sales from Grace Home Centers West (Ole's, Cashway, Allwoods and Handy Dan) from date of acquisition in July, 1986. Wickes Lumber includes sales from Homecrafters Warehouse from date of acquisition in September, 1986.

[17]Grossman's Eastern Region includes stores operated as Grossman's, Moore's, and Bargain Outlets. Its Western Region includes Grossman's Warehouse and Hubbard & Johnson stores.

NA: Not applicable /available.

NL: New listing.

NR: Not ranked.

The NHCN Top 100 DIY Sales

DIY Rank	Company	DIY Sales 1986 (Mil. $)	DIY Sales 1985 (Mil. $)	% Change	% DIY 1986	Total Stores 1986
1	**Payless Cashways,** Kansas City, Mo.	**1,375**	1,265	9	**90**	181
2	**Lowe's Cos.,** North Wilkesboro, N.C.	**1,256**	1,077	17	**55**	300
3	**Wickes Cos.,** Santa Monica, Calif.	**956**	691	38	**60**	397
4	**The Home Depot,** Atlanta	**859**	596	44	**85**	60
5	**Grossman's,** Braintree, Mass.	**806**	709	14	**80**	272
6	**Sutherland,** Kansas City, Mo.	**605**	578	5	**100**	96
7	**Hechinger, Landover,** Md.	**588**	479	23	**100**	61
8	**Channel Home Centers,** Whippany, N.J.	**544**	725	−25	**75**	201
9	**Builders Square,** San Antonio, Texas	**455**	237	92	**65**	87
10	**Rickel,** South Plainfield, N.J.	**416**	385	8	**100**	45
11	**84 Lumber,** Eighty-Four, Pa.	**410**	391	5	**60**	373
—	**HomeClub,** Fullerton, Calif.	**410**	250	64	**100**	28
13	**Pay 'N Pak,** Kent, Wash.	**398**	333	20	**100**	107
14	**Scotty's,** Winter Haven, Fla.	**330**	307	7	**65**	131
15	**Menard's,** Eau Claire, Wis.	**323**	298	9	**85**	34
16	**Ernst Home Centers,** Seattle	**310**	260	19	**100**	73
17	**Central Hardware,** Bridgeton, Mo.	**270**	270	0	**100**	35
18	**Pergament Home Centers,** Melville, N.Y.	**260**	200	30	**100**	42
19	**Handyman,** San Diego, Calif.	**178**	228	−22	**100**	53
20	**Lanoga,** Seattle	**161**	168	− 4	**50**	135
21	**Forest City,** Cleveland	**160**	160	0	**100**	18
22	**Handy Andy,** Gurnee, Ill.	**147**	104	42	**98**	24
23	**Mr. HOW Warehouse,** Margate, Fla.	**140**	238	−41	**95**	0
24	**National Lumber,** Fountain Valley, Calif.	**135**	135	0	**100**	18
25	**McCoy's,** San Marcos, Texas	**134**	154	−13	**70**	72
26	**West Building Materials,** Atlanta	**130**	125	4	**50**	64
27	**Erb Lumber,** Birmingham, Mich.	**125**	95	31	**50**	42
28	**Mr. Goodbuys,** Philadelphia.	**119**	71	67	**95**	12
29	**Knox Lumber,** St. Paul, Minn.	**118**	112	5	**95**	10
30	**Carter-Jones Lumber,** Kent, Ohio	**116**	110	5	**55**	146
31	**Wolohan Lumber,** Saginaw, Mich.	**103**	86	19	**53**	39
32	**Lindsley,** Miami Lake, Fla.	**90**	105	−14	**100**	20
33	**Valu Home Centers,** Buffalo, N.Y.	**76**	65	17	**100**	25
34	**Lloyd Home Ctrs.,** Danbury, Conn.	**74**	65	14	**70**	34
35	**Westlake Ace Hardware,** Moberly, Mo.	**73**	64	14	**91**	38
36	**ACO,** Farmington Hills, Mich.	**72**	68	6	**85**	48
37	**Courtesy Home Centers,** Mt. Prospect, Ill.	**70**	60	17	**100**	6
38	**Stambaugh-Thompson,** Youngstown, Ohio.	**69**	61	13	**100**	20
39	**Diamond Lumber,** Sacramento	**68**	65	4	**20**	86
40	**Aubuchon Hardware,** Westminster, Mass.	**62**	54	15	**100**	132
—	**Busy Beaver,** Pittsburgh	**62**	57	8	**95**	11
42	**Eclipse Industries,** St. Louis	**57**	46	24	**95**	9
43	**Chase-Pitkin,** Rochester, N.Y.	**56**	56	0	**93**	11
44	**Home Quarters Whse.,** Virginia Beach, Va.	**55**	50	10	**100**	4
—	**Lampert Lumber,** St. Paul, Minn.	**55**	54	3	**65**	45
46	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	**54**	58	− 7	**95**	10
47	**Goodman's Lumber,** San Francisco	**51**	47	9	**100**	4
48	**P.F. O'Connor,** Providence, R.I.	**48**	35	38	**65**	9
49	**Foxworth-Galbraith,** Dallas	**45**	44	2	**45**	53
—	**Hill-Behan Lumber,** St. Louis	**45**	45	1	**49**	34
51	**Dixieline,** San Diego, Calif.	**42**	41	3	**40**	5
52	**O'Malley's,** Phoenix.	**41**	36	13	**30**	16
53	**Copeland Lumber Yards,** Portland, Ore.	**40**	44	−10	**40**	75
—	**Edward Hines Lumber,** Chicago	**40**	36	11	**40**	24
55	**Church's Lumber,** Utica, Mich.	**38**	38	− 1	**75**	15
—	**Meeks Building Centers,** Springfield, Mo.	**38**	33	13	**40**	23
57	**Nat'l Hardgoods Dist.,** Stoughton, Mass.	**36**	34	6	**100**	27
—	**Plywood Minnesota,** Minneapolis	**36**	22	64	**95**	11
59	**Peter Kuntz,** Dayton, Ohio.	**30**	29	5	**50**	21
60	**All American Home Center,** Downey, Calif.	**28**	26	8	**100**	1
—	**City Mill,** Honolulu, Hawaii	**28**	32	−11	**91**	5
—	**National Home Center,** Springdale, Ark.	**28**	20	39	**50**	4
—	**Rigg's Supply,** Kennett, Mo.	**28**	30	−8	**75**	8
64	**Homecrafters Warehouse,** Birmingham, Ala.	**27**	120	−77	**65**	0
—	**Triangle Bldg. Centers,** Quakertown, Pa.	**27**	23	18	**76**	4
66	**Braver Lumber,** Detroit	**26**	26	0	**87**	11
—	**Sackett & Peters,** Whittier, Calif.	**26**	25	4	**100**	2
68	**Anderson Lumber,** Ogden, Utah	**25**	24	5	**30**	23
—	**M.G.Bldg. Materials,** San Antonio, Texas	**25**	28	−10	**50**	4
—	**O. B. Thompson,** Hopkins, Minn.	**25**	25	0	**83**	8
—	**Star Lumber,** Wichita, Kan.	**25**	25	0	**50**	3
—	**The Paty Co.,** Piney Flats, Tenn.	**25**	23	10	**55**	6
—	**Wolf Organization,** York, Pa.	**25**	20	27	**35**	26
74	**Lezzer Lumber,** Curwensville, Pa.	**24**	17	40	**50**	6
75	**Hacienda Home Centers,** Albuquerque, N.M.	**23**	23	2	**100**	6
76	**General Building Products,** Medford, N.Y.	**22**	18	17	**38**	4
77	**Gee Lumber,** Chicago	**21**	20	4	**80**	15
—	**Hancock Co.,** Casco, Me.	**21**	16	29	**46**	8
—	**Levy's Lumber,** Louisville, Ky.	**21**	21	0	**84**	5
—	**Williams Brothers,** Atlanta	**21**	20	6	**30**	9
81	**Alexander Lumber,** Aurora, Ill.	**20**	13	54	**25**	53
—	**Builderama,** Savannah, Ga.	**20**	19	6	**78**	7
—	**Curtis Lumber,** Ballston Spa, N.Y.	**20**	16	22	**40**	7
—	**Elk Supply,** Clinton, Okla.	**20**	23	−13	**80**	17
—	**Seigle's Home Centers,** Elgin, Ill.	**20**	13	53	**35**	6
—	**Stine Lumber,** Sulfur, La.	**20**	18	14	**80**	6
87	**Boise Cascade,** Boise, Idaho	**18**	26	−31	**20**	18
—	**M.L.Claster & Sons,** Bellefonte, Pa.	**18**	15	19	**55**	11
—	**Seacoast Building Centers,** Conway, S.C.	**18**	15	17	**25**	11
—	**Supply One,** Rancho Cordova, Calif.	**18**	15	20	**100**	3
—	**Thurman Industries,** Kirkland, Wash.	**18**	20	− 8	**90**	10
—	**Warners True Value,** St. Paul, Minn.	**18**	41	−56	**95**	10
93	**Gerrity Building Centers,** Meredith, N.H.	**17**	11	54	**10**	16
—	**Bellevue Bldrs. Supply,** Schenectady, N.Y.	**17**	15	14	**34**	1
—	**Lampert Yards,** St. Paul, Minn.	**17**	16	6	**46**	29
—	**T.H. Rogers Lumber,** Oklahoma City.	**17**	18	− 7	**67**	31
97	**A.C. Houston Lumber,** Wichita, Kan.	**16**	18	−10	**25**	11
—	**Hughes Lumber,** Tulsa, Okla.	**16**	17	− 7	**75**	10
—	**TAPJAC Co.,** Carthage, Mo.	**16**	14	14	**65**	14
—	**Woodbury and Sons,** Glens Falls, N.Y.	**16**	13	23	**43**	8
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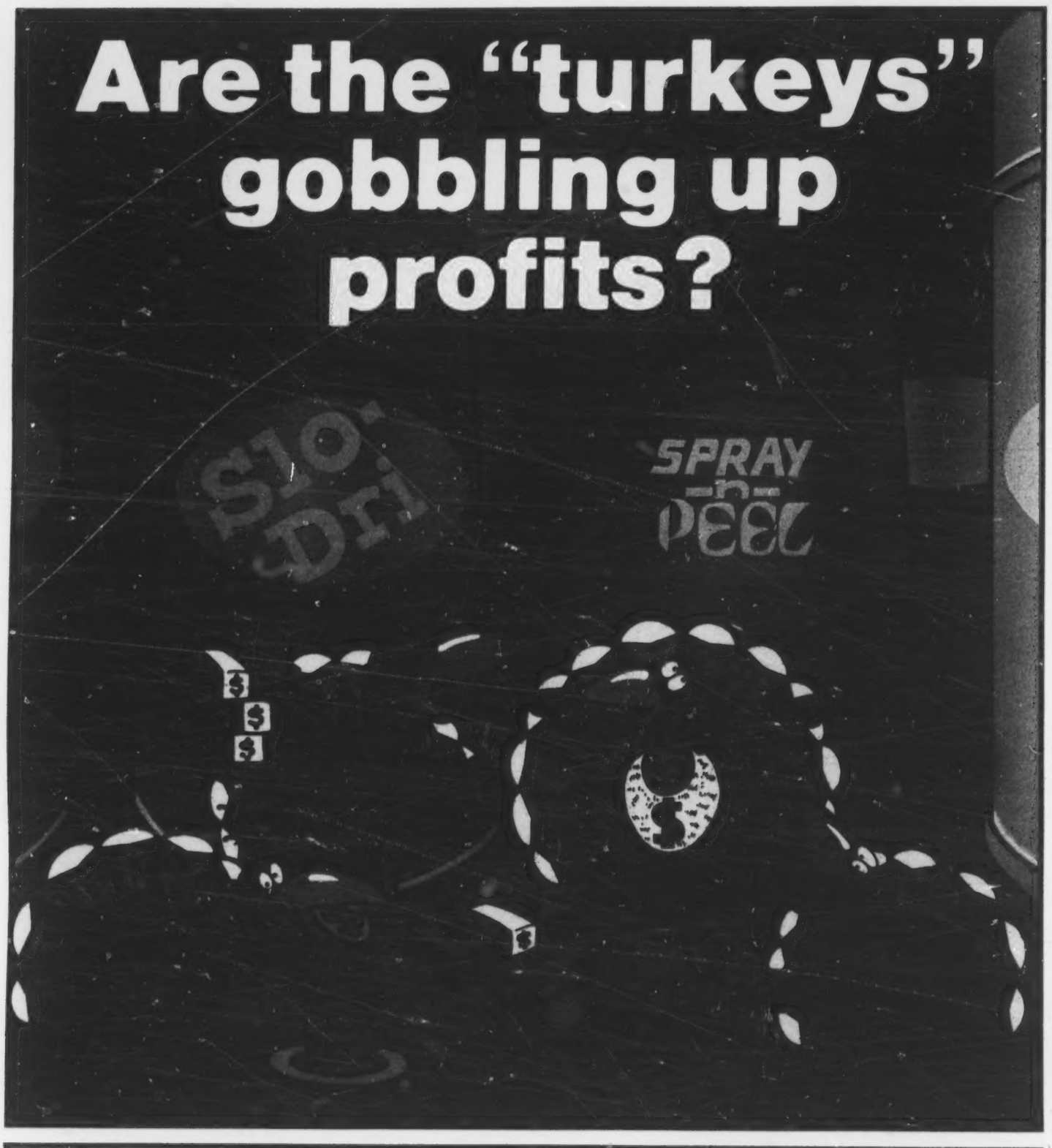
TOP 50 TOTALS AND AVERAGES		13,516	11,936	13	82	3,755
TOP 100 TOTALS AND AVERAGES		14,736	13,186	10	71	4,409



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Perspectives

How the Top 150 and Top 100 line up

Companies	Total Sales Rank	DIY Rank
A.C. Houston Lumber	60	97
ACO	46	36
Alexander Lumber	50	81
All American Home Center	126	60
Anderson Lumber	48	68
Aubuchon Hardware	64	40
Babbitt Brothers	114	NR
Babcock Building Supply	126	NR
Bailey Lumber	147	NR
Bellevue Builders Supply	78	93
Big Tin Barn	120	NR
Boise Cascade	44	87
Braver Lumber	120	66
Brown-Graves	63	NR
Builderama	131	81
Builders Square	7	9
Builders Supply	120	NR
Busy Beaver	60	40
Calcasieu Lumber	114	NR
Carter-Jones Lumber	23	30
Causeway Lumber	98	NR
Central Hardware	19	17
Champion Lumber	141	NR
Channel Home Centers	6	8
Chase-Pitkin	65	43
Church's Lumber	79	55
City Mill	118	60
Cofer Brothers	131	NR
Copeland Lumber Yards	38	53
Courtesy Home Centers	56	37
Cox Lumber	68	NR
Crissey-Fowler Lumber	112	NR
Curtis Lumber	85	81
Daniels-McCray Lumber	89	NR
Diamond Lumber	16	39
Dixieline	35	51
E.C. Barton	93	NR
East Coast Lumber	75	NR
Eclipse Industries	65	42
Edward Hines Lumber	38	53
84 Lumber	8	11
Elk Supply	136	81
Erb Lumber	22	27
Ernst Home Centers	18	16
Fagen's	94	NR
Fairfield Lumber	129	NR
Forest City	28	21
Foxworth-Galbraith	37	49
Fullerton Lumber	107	NR
Ganahl Lumber	80	NR
Gee Lumber	131	77
General Building Products	69	76
General Building Supply	89	NR
Gerrity Building Centers	27	93
Goodman's Lumber	76	47
Great Plains Supply	107	NR
Grossman's	5	5
Hacienda Home Centers	145	75
Haddonfield Lumber	92	NR
Hancock Co.	89	77
Handy Andy	29	22
Handyman	26	19
Hayward Lumber	125	NR
Hechinger	10	7
Herndon Lumber	129	NR
Hill-Behan Lumber	43	49
Hinckley Home Centers	131	NR
Home Quarters Warehouse	73	44
HomeClub	13	11
Homecrafters Warehouse	94	64
Hughes Lumber	150	97
J.T.'s Home Center	94	NR
Kempsville	99	NR
Knox Lumber	34	29
L&P Building Supply	107	NR
Lampert Lumber	46	44
Lampert Yards	103	93
Lanoga	17	20
Lester Group	100	NR
Levy's Lumber	136	77
Lezzer Lumber	87	74
Lindsley	44	32
Lloyd Home & Building Centers	35	34
Lowe's Cos.	1	2
Lummus	147	NR
Lyman Lumber	49	NR
M.G. Building Materials	80	68
M.L. Claster & Sons	112	87
Mack Industries	60	NR
Manis Lumber	141	NR
Martin Home Centers	145	NR
Masten Lumber	111	NR
Mayfield Building Supply	120	NR
McCoy's	25	25
Meeks Building Centers	41	55
Menards	15	15
Mid-Cape Home Centers	85	NR
Millard	126	NR
Moser Lumber	141	NR
Mr. Goodbuys	33	28
Mr. HOW Warehouse	30	23
Nassau Suffolk Lumber	94	NR
National Hardgoods Dist.	105	57
National Home Center	72	60
National Lumber (Calif.)	31	24
National Lumber	80	NR
Neiman-Reed's Lumber City	69	46
O'Malley's	31	52
O.B. Thompson	120	68
P.F. O'Connor	53	48
Panning Lumber	118	NR
Parr Lumber	73	NR
Pay 'N Pak	14	13
Payless Cashways	3	1
Pergament Home Centers	20	18
Peter Kuntz	65	59
Ply-Marts	107	NR
Plywood Minnesota	101	57
Ray Lumber	76	NR
Rickel	12	10
Rigg's	103	60
Sackett & Peters	131	66
Scherer Brothers	53	NR
Scotty's	11	14
Seacoast Building Centers	56	87
Seigle's Home & Building Centers	69	81
Spahn and Rose Lumber	136	NR
Stambaugh-Thompson	59	38
Standard Supply and Lumber	114	NR
Star Lumber	80	68
Stevenson Lumber	80	NR
Stine Lumber	136	81
Stripling Blake Lumber	114	NR
Strober Brothers	42	NR
Sutherland	9	6
T.H. Rogers Lumber	136	93
TAPJAC	141	97
Terry Companies	38	NR
The Home Depot	4	4
The Paty Co.	88	68
Triangle Building Centers	105	64
Value Home Centers	52	33
Wallich Lumber	147	NR
Warners Tru Value	NR	87
West Building Materials	20	26
Westlake Ace Hardware	50	35
Wickes Cos.	2	3
Williams Bros.	56	77
Wolf Organization	55	68
Wolohan Lumber	24	31
Woodbury and Sons	101	97

Subsidiaries are ranked by parent companies
NR—Not ranked

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Perspectives

annual report

Big Three rule warehouse segment in wake of Mr. HOW

By an NHCN staff editor

NATIONAL REPORT — The big news for the warehouse segment in 1986 was an obituary:

Mr. HOW
1982-1986
R.I.P.

With the passing of Mr. HOW, the Gang of Four became the Big Three—The Home Depot, Builders Square and HomeClub—a trio of warehouse operators which, by mid-1986, ran three-quarters of all known warehouse units in the retail building material industry.

Though this exclusive club was reduced by one member by August, warehouse operators continued to generate excitement and industrywide repercussions. Service Merchandise's decision to pull the plug on its Mr. HOW division—following nearly a year of rumors that the Mr HOW was terminally ill—did not diminish the volatility and interest the warehouse operators fermented.

Major developments

Among the major developments of this retailing sector in 1986 were:

- The addition of more than 50 new stores by Builders Square, the San Antonio-based K mart subsidiary. Builders Square opening seven units in a single day, to end the year with 87 units. It operates the largest number of warehouse stores;
- The Home Depot, Atlanta, became the first warehouse chain to crack the billion dollar sales barrier with 60 stores by year's end;
- Bob McNulty, president and cofounder of HomeClub, Fullerton, Calif., resigned to open a chain of warehouse sporting goods stores;
- Service Merchandise, the Nashville-based catalog showroom and former parent of Mr. HOW, sold its 27 units to, among others, Builders Square, Central Hardware (which bought four units) and Handy Andy, the Gurnee, Ill., company which purchased six former Mr. HOW operations in the Chicago area.

Signs of a slowdown

In broader developments, the warehouse sphere continued to show some signs of a slowdown, as the definition of what a warehouse is and is not changed for many dealers. Previous to 1985, it was generally assumed that a warehouse operation was any unit that used 60,000 to 100,000 square feet, displayed all inventory on its sales floor in warehouse racking, tended to depend on one-step distribution, and generated annualized per-store sales of at least $12 million to $15 million.

But such companies as Hechinger, Grossman's, Busy Beaver, Pay 'N Pak and Pergament, which had stores that fell into this classification, are now calling their units hybrids of the warehouse format.

So in total, there has been a net loss of pure warehouse operators from 19 a year ago to 15.

The Big Three ran 175 of the 254 total warehouses in operation throughout the U.S. at the end of 1986. If projections hold for 1987, the Big Three will operate 233 units of a segment projected to hit about 280 warehouse units.

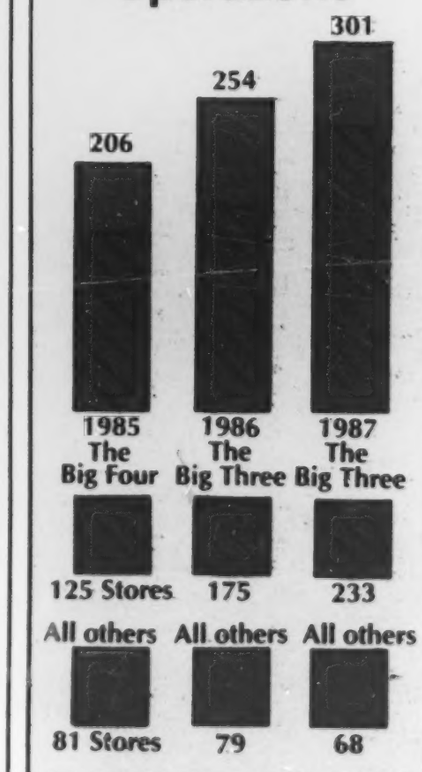
Beyond the three large companies, however, several smaller warehouse operators also made waves in 1986.

> With the passing of Mr. HOW, the Gang of Four became the Big Three—The Home Depot, Builders Square and HomeClub—a trio of warehouse operators . . .

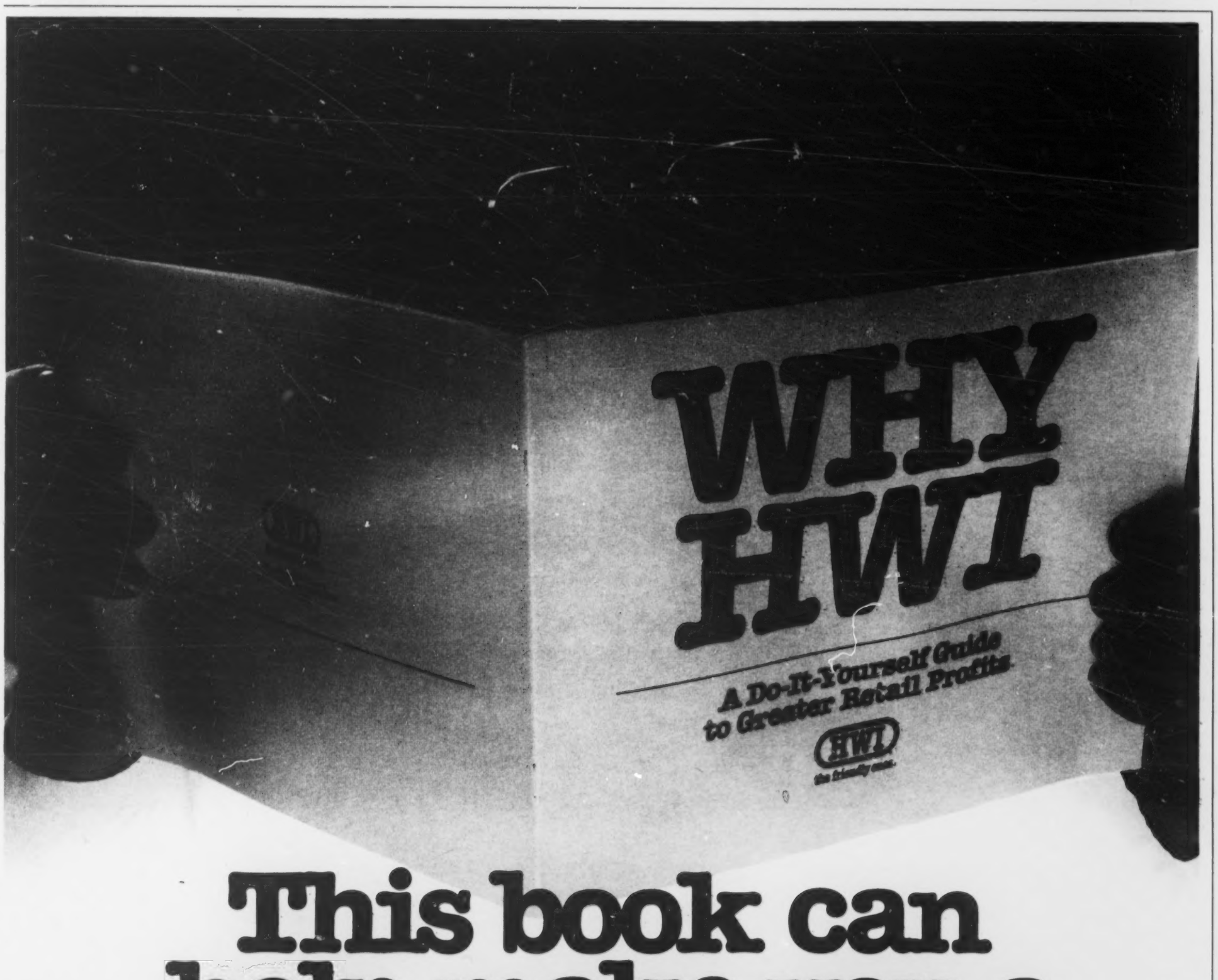
Among these are Handy Andy, which will have nine warehouse units slated to go up in 1987; and Mr. Goodbuys, with 15 units projected for 1987, emerging as two formidable warehouse players. Mr. Goodbuys' executive management team was buoyed last year when Tom Thornton left Orchard Supply, San Jose, to become president of the Philadelphia-based warehouse chain.

Also moving into the fray will be Home Quarters Warehouse, the former W.R. Grace subsidiary in Virginia Beach, Va., that went private last year and is looking to become a seven-unit chain.

Total Warehouse Operations



*This chart assumes traditional warehouse operations and not hybrids like Hechinger's, Pay 'N Pak, Grossmans, etc.



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Perspectives

annual report

Top Gainers in % of Total Sales		
Rank	Company	(% Change)
1	Builders Square, San Antonio, Texas	92
2	Lester Group, Martinsville, Va.	86
3	Mr. Goodbuys, Philadelphia	67
4	HomeClub, Fullerton, Calif.	64
5	Scherer Brothers, Minneapolis, Minn.	48
6	Wallich Lumber, Detroit, Mich.	47
7	The Home Depot, Atlanta	44
8	East Coast Lumber, East Hamptstead, N.H.	43
9	Handy Andy, Gurnee, Ill.	42
10	Wickes Cos., Santa Monica, Calif.	38
11	Lezzer Lumber, Curwensville, Pa.	37
12	Seigle's Home Centers, Elgin, Ill.	36
13	Erb Lumber, Birmingham, Mich.	31

Source: Company data; *NHCN* research; *NHCN* chart

Top Gainers in $ of Total Sales		
Rank	Company	Sales Increase (Mil $)
1	Wickes Cos., Santa Monica, Calif.	442
2	Builders Square, San Antonio, Texas	335
3	The Home Depot, Atlanta	310
4	Lowe's Cos., North Wilkesboro, N.C.	211
5	HomeClub, Fullerton, Calif.	160
6	Payless Cashways, Kansas City, Mo.	138
7	Grossman's, Braintree, Mass.	132
8	Hechinger, Landover, Md.	109
9	Pay 'N Pak, Kent, Wash.	65
10	Pergament Home Centers, Melville, N.Y.	60
11	Erb Lumber, Birmingham, Mich.	59
12	Ernst Home Centers, Seattle	50

Source: Company data; *NHCN* research; *NHCN* chart

Lowe's year of change

By an NHCN staff editor

NORTH WILKESBORO, N.C. — For Lowe's, the industry's largest home center chain, 1986 was a year of change.

Revenues for the year increased 10 percent to $2.3 billion. Earnings declined 8 percent to $55.1 million, before extraordinary items.

The chain ended the year with 300 stores, up from 282 in 1985. Fifty-five percent of its sales came from consumer transactions, compared to 52 percent the previous year.

The year began with the melding of the company's store operations with its sales and merchandising functions. Former senior vp-store operations Wendell Emerine, was promoted to the new position of executive vp in charge of store operations, sales and merchandising.

At the same time, the real estate and expansion department was reactivated under the direction of Dwight Pardue. He was promoted from executive vp-sales and operations to senior executive vp - real estate and expansion.

Takeover protection

The company's field operations were also simplified. What was formerly a combination of numerous regions and areas was made into just three regions, each headed by a regional vp with 21 areas.

Also in 1986, company shareholders approved a management proposal for a series of "shark repellents" to help protect the company against takeover attempts.

The company also began testing some "pro-only" yards last year, in towns with significant construction activity but too little population to support full-line stores.

The company is scaling back plans for opening new stores after 1987.

Conversions planned

This year, the firm plans to convert as many of 150 of its smaller stores into larger retail yards. As a stop-gap measure to spark more sales, the company has launched a new program called "pre-Phoenix." This will provide face lifts to 100 of its smaller home centers during the first quarter of this year.

Lowe's also announced it was pleased with the results of its testing of furniture departments, and would roll out 500- to 1,000-square-foot furniture departments in most of its units.

At one point last year, Lowe's was the subject of speculation that Wickes Cos. would attempt a takeover. In October, the company's stock increased by some 26 percent over a five-day period as a result of the unfulfilled rumors.

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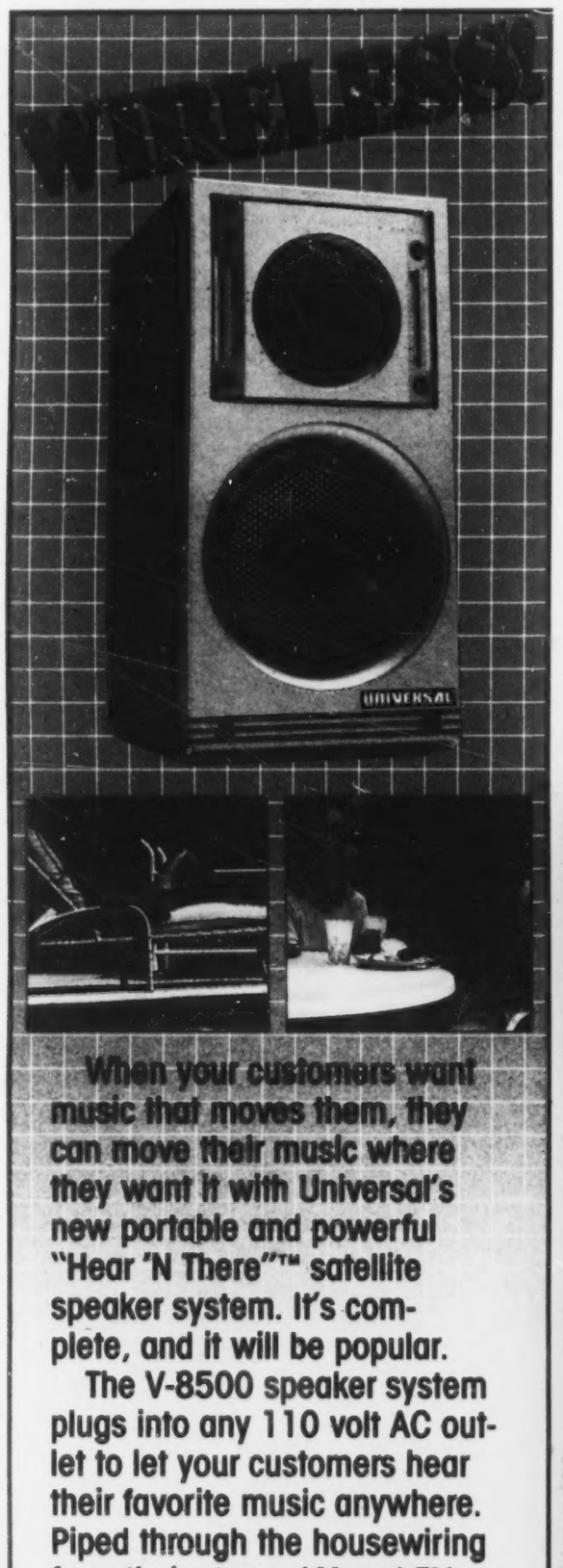

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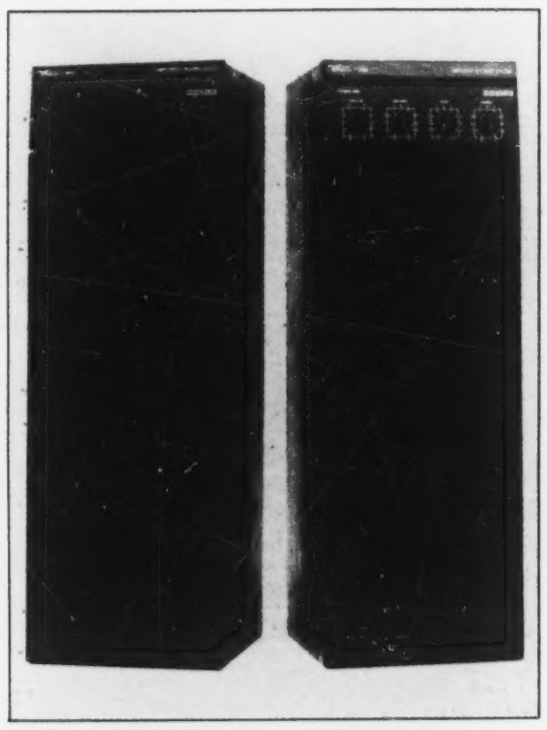

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Perspectives

annual report

Acquisitions widen Wickes' retail businesses

By an NHCN staff editor

SANTA MONICA, Calif. — Last year, Wickes Cos. acquired Grace Home Centers West, Orchard Supply Hardware, Homecrafters Warehouse and Kindt Corp., bringing revenues in the building materials/home improvement segment to about $2.2 billion on an annualized basis.

Wickes' sales from its retail lumber and home centers was approximately $1.6 billion in 1986, according to *NHCN* estimates, making it the second largest home improvement chain in the country, and the one with the most stores.

Wickes did not pass $2 billion in 1986 because its home center acquisition campaign didn't start until midyear.

Earlier this year Wickes again changed the composition of its home improvement segment with the announcement that it will sell its interest in London-based Wickes PLC, and sell its Sequoia Supply wholesale operation to a management group.

Grace Home Centers West and Orchard Supply generated more than $600 million in yearly sales. They totaled 108 units including 62 Ole's Home Centers and 10 Handy Dan units in Colorado, which were closed. The Ole's stores in California were given the Builders Emporium name in a revamp program last year.

Wickes closed nearly 24 Builders Emporium and Ole's stores, including 15 in southern California. It also trimmed the Grace West corporate staff, cutting more than 1,000 jobs.

In major top management changes, Jack Edwards was named president and ceo of Builders Emporium in August. He had been president of Rose's, a Henderson, N.C.-based discount chain of 200 stores. He replaced Hal Smith, who became Ernst ceo.

At Orchard Supply, Maynard Jenkins, former president and coo of Seattle-based Pay 'n Save, was named president and ceo in December, replacing Thomas Thornton who joined Mr. Goodbuys.

At Wickes Lumber, the April 1986 purchase of the nine-store Kindt, a wholly owned subsidiary of The Edward Hines Lumber Co., raised Wickes Lumber's store count to 220 units in 36 states.

Wickes Lumber also purchased the 27-unit Homecrafters Warehouse in Birmingham, Ala., in early June.

Diversifying into other non-DIY businesses means that building material retailing represents less than 30 percent of Wickes' total sales.

The company made four takeover bids for manufacturers, two of which—for Owens-Corning Fiberglas and National Gypsum—were hostile.

In April, Wickes bid $1.23 billion for National Gypsum. It eventually sold its stake in the Dallas company after a management buy-out was approved by the Gypsum board.

In September, Wickes backed away from a $2.1 billion hostile tender offer for Owens-Corning after the company countered with its own recapitalization plan.

Wickes chairman Sanford Sigoloff paid out $1.2 billion for New York-based Collins & Aikman, a producer of wall coverings and upholstery.

The fourth major bid was for Santa Monica, Calif.-based Lear Siegler. In November, Lear Siegler directors had agreed to a $1.7 billion merger bid from Wickes. But Wickes backed away from its tender offer, saying it couldn't arrange bank financing on satisfactory terms.

Today, Wickes' assets total more than $4 billion and long-term debt is about $2.3 billion.

Wickes reasoning for its acquisition efforts in 1986 were in part due to its desire to use more than $400 million in tax-loss carry-forwards which have accrued since it emerged from Chapter 11 in 1985.

Wickes began its acquisition drive in the summer of 1985 by acquiring Gulf + Western's consumer and industrial products group for $1 billion. Then, last spring, Wickes raised $1.2 billion through a debt offering by Drexel Burnham Lambert Inc.

In 1986, Wickes announced that it was leaving general retailing by divesting every retail business except the lumber and home-furnishing segments of its pre-Chapter 11 businesses.

Top Losers in % of Total Sales

Rank	Company	% Change
1	Homecrafters Warehouse, Birmingham, Ala.	−77
2	Mr. HOW Warehouse, Margate, Fla.	−41
3	Boise Cascade, Boise, Idaho	−31
4	Big Tin Barn, Diboll, Texas	−29
5	Stripling Blake Lumber, Austin, Texas	−27
6	Calcasieu Lumber, Austin, Texas	−24
7	Handyman, San Diego, Calif.	−22
8	Elk Supply, Clinton, Okla.	−17
—	Mayfield Building Supply, Arlington, Texas	−17
10	M. G. Building Materials, San Antonio, Texas	−14
11	Fullerton Lumber, Minneapolis, Minn.	−13
—	Great Plains Supply, St. Paul, Minn.	−13
13	City Mill, Honolulu	−11
—	Neiman-Reed's Lumber City, Van Nuys, Calif.	−11
15	Foxworth-Galbraith, Dallas	− 9

Source: Company data; *NHCN* research; *NHCN* chart

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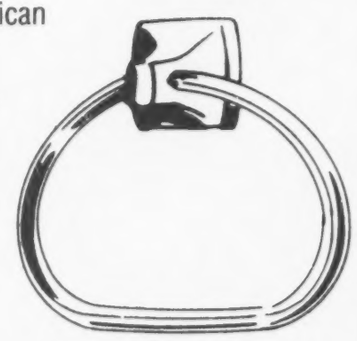

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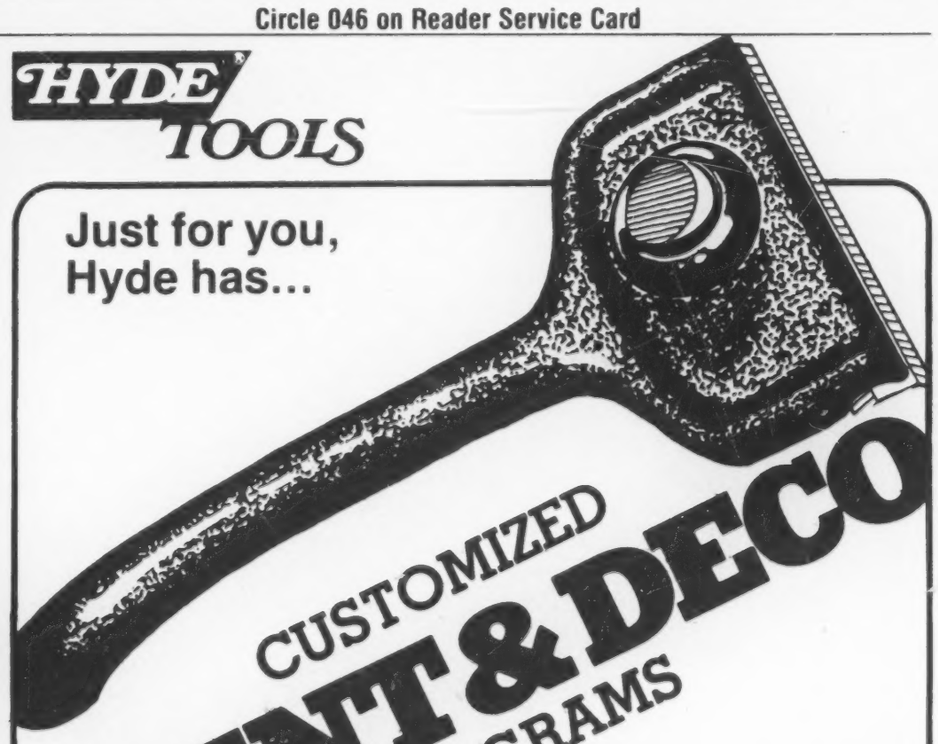

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Top Losers in $ of Total Sales		
Rank	Company	Sales Decrease ($)
1	Homecrafters Warehouse, Birmingham, Ala.	−142
2	Mr. HOW Warehouse, Margate, Fla.	−103
3	Handyman, San Diego, Calif.	− 50
4	Boise Cascade, Boise, Idaho	− 40
5	Lanoga, Seattle.	− 13
6	Big Tin Barn, Diboll, Texas.	− 12
—	Stripling Blake Lumber, Austin, Texas	− 12
8	Calcasieu Lumber, Austin, Texas	− 10
—	Foxworth-Galbraith, Dallas	− 10
10	M. G. Building Materials, San Antonio, Texas	− 8
11	Neiman-Reed's Lumber City, Van Nuys, Calif.	− 7
12	Mayfield Building Supply, Arlington, Texas	− 6
13	Elk Supply, Clinton, Okla.	− 5
—	Fullerton Lumber, Minneapolis, Minn.	− 5
—	Great Plains Supply, St. Paul, Minn.	− 5

Source: Company data; *NHCN* research; *NHCN* chart

Knox acquisition gives Payless stronger Midwestern presence

By an NHCN staff editor

KANSAS CITY, Mo. — A new president and a new acquisition highlighted 1986 for Payless Cashways, the industry's third largest chain in sales, and one that continues to steadily expand.

The company's sales grew 10 percent in 1986 to $1.528 billion from 181 stores. Payless' net income for the year increased 11 percent to $42.4 billion, or $1.22 per share.

But Payless' story last year is not completely evident from its numbers. Last October, the company acquired the 10-unit, $130 million Knox Lumber chain, based in St. Paul, Minn., an operation Payless has reportedly coveted for several years.

The purchase gives Payless immediate market penetration into an area of the country where it had been somewhat under-represented.

The Knox acquisition, for which Payless paid $24.3 million, adds another link to Payless becoming a national chain. It currently operates in 23 states, and its stores reach from shore to shore and border to border.

And it appears that Payless is starting to get serious about using its Somerville Lumber subsidiary as a launching pad for some major East Coast expansion over the next few years. Somerville, the industry's most profitable independent, opened in New Hampshire and in the Providence, R.I. area in 1986.

Aside from Providence, other new markets into which Payless expanded last year were Norman, Okla.; Lincoln, Neb.; Anderson, Ind.; Lexington, Ky.; Wichita Falls, Texas; and Fort Smith, Ark.

Payless also closed a number of smaller units in less populous areas of the country, as it appears to be concentrating on moving into metro markets with bigger stores. (It will add 12 units this year.) Five of these smaller stores in the Midwest were sold to United Building Centers based in Winona, Minn.

Payless took several managerial and operational steps to orchestrate and manage its growth. Larry Kunz, a 30-year veteran largely in the discount field, was named president and chief operating officer.

Other management changes included the promotion of Mike Sargent to vp-Midwestern region; Jim Neustadt to vp-merchandising; and Jim Bryan to vp-distribution and transportation.

This last position will be a crucial one to Payless' future profitability, as its stores receive a great percentage of their merchandise from the chain's nine distribution facilities. Late last year, the company broke ground on a 480,000-square-foot distribution center in Sedalia, Mo., scheduled to open in 1988.

Depot hits $1B in 1986 revenues

By an NHCN staff editor

ATLANTA — The Home Depot, the $1 billion chain that fathered the warehouse home center concept, entered a new era of cautious growth in 1986.

Revenues topped $1 billion for the first time, up by 44 percent from the sales volume of 1985. This sales growth moved Home Depot into the fourth position among home center retailers.

But its caution was dramatically evident when it canceled plans to enter the Detroit market. The decision, made in January of 1986, delayed indefinitely the firm's plans to enter the northern half of the United States.

Concurrently, The Home Depot trimmed its expansion plans for 1986 to nine stores from the 20 it originally announced in 1985.

The company actually ended 1986 with 60 stores, up from 50 the year before.

Home Depot plans to open 16 new stores in 1987. One of those stores, in Chattanooga, Tenn., represents a new market for the company.

Most of the firm's 1987 expansion is expected to concentrate in California, where it plans to have 18 stores by the end of 1987.

(Continued on page 62)

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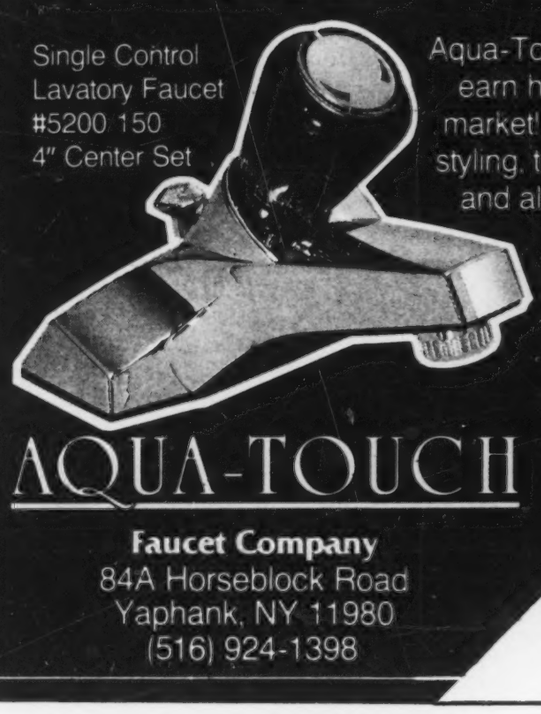

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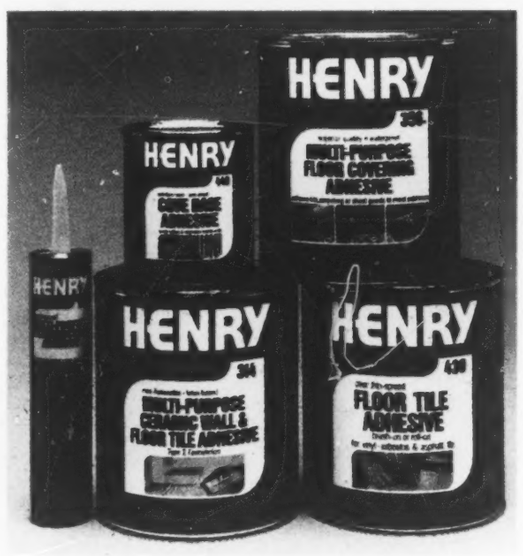

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Perspectives

annual report

Grossman's reborn as a new firm

By an NHCN staff editor

BRAINTREE, Mass. — Rarely in the home center industry does one year make the kind of difference 1986 did for the Retail Group of Evans Products, which not only broke away from its parent company, but in fact started out 1987 as a new entity.

All of the non-retail related assets of Evans, which had been in Chapter 11 since March 1985, are being disposed of. What survives is Grossman's Inc., based here, which emerged last November as a result of a plan for reorganizing Evans out of bankruptcy that was approved, over strong but futile objections on the part of the parent, by a federal court in Miami.

Grossman's Inc.—which includes stores operating under the names Grossman's, Moore's, Bargain Outlets, Grossman's Warehouse and Hubbard & Johnson—came out of Chapter 11 with around $240 million in debt, and operating income as a percentage of sales that are far below the industry average.

However, the industry's fifth largest chain with $1.009 billion in sales from 272 stores last year has a balance sheet unencumbered by Evans' other beleaguered operations. It has successfully begun trading 25.1 percent of its new common stock over-the-counter at prices that, since November, have risen from $7 per share to around $11.

The new corporation will also has $131 million in tax loss carryforwards.

Flush from its escape from bankruptcy and Evans' clutches, Grossman's officials initiated a three-year, $75 million store retrofit and reconstruction program. They have also begun to close unprofitable units and replace them with larger stores, many patterned after the 56,000-square-foot, warehouse-style prototype in Rochester, N.Y.

In addition, 40 of the Moore's stores had new garden shops installed into them, with another 40 getting this treatment in 1987.

And, to support its new marketing thrust, Grossman's increased its TV advertising spending by 1,500 percent in 1986 to more than $1.6 million.

Early this year, Grossman's broke the corporation into two divisions with Robert Harrow becoming president of the 241-unit Eastern Region, and former Moore's executive vp Joe Vaeth heading up the 31-unit Western Region that is scheduled for growth this year.

Lost but not forgotten in all this restructuring was Lindsley, the Miami-based chain that was extracted from the rest of Grossman's Inc. as part of the reorganization.

Lindsley closed 23 of its 43 stores to pay off its $14.7 million in debt. And the company spent $2 million to convert 16 of the remaining units to a new format that placed greater emphasis on lawn and garden and home decor products.

Lindsley's executive vp Tom Seifert expects Lindsley to do $70 million in 1987.

Top Gainers in $ of DIY Sales

Rank	Company	DIY Sales Increase (Mil $)
1	Wickes Cos., Santa Monica, Calif.	265
2	The Home Depot, Atlanta	264
3	Builders Square, San Antonio, Texas	218
4	Lowe's Cos., North Wilkesboro, N.C.	178
5	HomeClub, Fullerton, Calif.	160
6	Payless Cashways, Kansas City, Mo.	110
7	Hechinger, Landover, Md.	109
8	Grossman's, Braintree, Mass.	97
9	Pay 'N Pak, Kent, Wash.	65
10	Pergament Home Centers, Melville, N.Y.	60
11	Ernst Home Centers, Seattle	50
12	Mr. Goodbuy, Philadelphia	48
13	Handy Andy, Gurnee, Ill.	43

Source: Company data; *NHCN* research; *NHCN* chart

Home Depot hits $1B in 1986 revenues

(Continued from page 58)

As recently as July, 1985, the firm had no stores in California.

In August the firm opened the largest store in its history. This was a 139,500-square-foot unit in the San Diego suburb of El Cajon, Calif.

Last year, the company hired a new executive vice president, a position that had remained vacant since the departure of Pat Farrah, one of Home Depot's founders, about a year earlier.

New inventory system

William Kelly, former president of the Jack Eckert Corporation, assumed the new position in August. He has responsibility for merchandising and marketing.

Those responsibilities will be eased somewhat as the company completes the installation of its perpetual inventory maintenance system last year.

Home Depot also began testing a shelf pricing system in a dozen stores that would eliminate the need for employees to place price stickers on merchandise. It hopes to have this on line in all stores this year.

On the advertising front, Home Depot departed a bit from its traditional "flexi" advertising concept, and introduced a new "Catabook" in mid-July. The small size of the new booklet—4-inches by 7-inches—makes it easy to fit into the pocket of the customer.

The new advertising format will be used on occasion to add variety to the firm's advertising program.

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Perspectives

annual report

Grace exits with Channel and Central Region sale

By an NHCN staff editor

NEW YORK — W. R. Grace bailed out of the industry in 1986, selling off some 340 home center operations in a series of divestments that took nearly a year to conclude.

And the remnants of that sale left a new company, Channel Home Centers Incorporated, as the industry's sixth largest company, with sales about $725 million.

In what was arguably the most publicized industry event in 1986, Grace's departure, as well as the fate of the corporation itself, filled news stories in both trade and national consumer business journals throughout the year.

The year for W. R. Grace began with its sobering announcement that it was restructuring operations and ended 11 months later when Lee Berger, president and ceo of Channel, mounted a successful leveraged buyout of the chain he led plus Grace's San Antonio-based Central Region. The merged operations were later to be called Channel Home Centers Incorporated.

Channel's merged revenues last year were estimated to be flat compared to 1985 totals.

Once the industry's leading home center operator in terms of store count and the first to break the billion dollar sales barrier in the home improvement sector, the Manhattan-based Grace put its sprawling home center division on the block when a long time shareholder, the Flick Group of West Germany, suddenly decided to sell more than a quarter of its Grace stock late in 1985.

From the beginning, the company said its retail group—which also included some 360 specialty stores, restaurant chains and apparel outlets—would be sold in order to raise about $700 million to keep the company's stock under its control.

For months, it seemed that management of the top Grace divisions would acquire the various operations through leveraged buyouts. The most favored scenario saw Bernard Kossar as the leading candidate to assume control of the retail group.

In March the Grace negotiations got attention when Harold Geneen, former chairman of ITT, made a bid to buy all the home center operations.

But two months later, Geneen was eliminated when Kossar signed a letter of intent and Wickes Cos. bought the 108-unit Grace West (including the always-profitable Orchard chain) for $180 million. Even more surprising and unexpected was the ultimate purchase of Channel and the Central Region for $250 million by Berger, who previously had not factored as a major buyer.

With the acquisition, Berger took the new 201-unit company private.

Kossar buys HQ

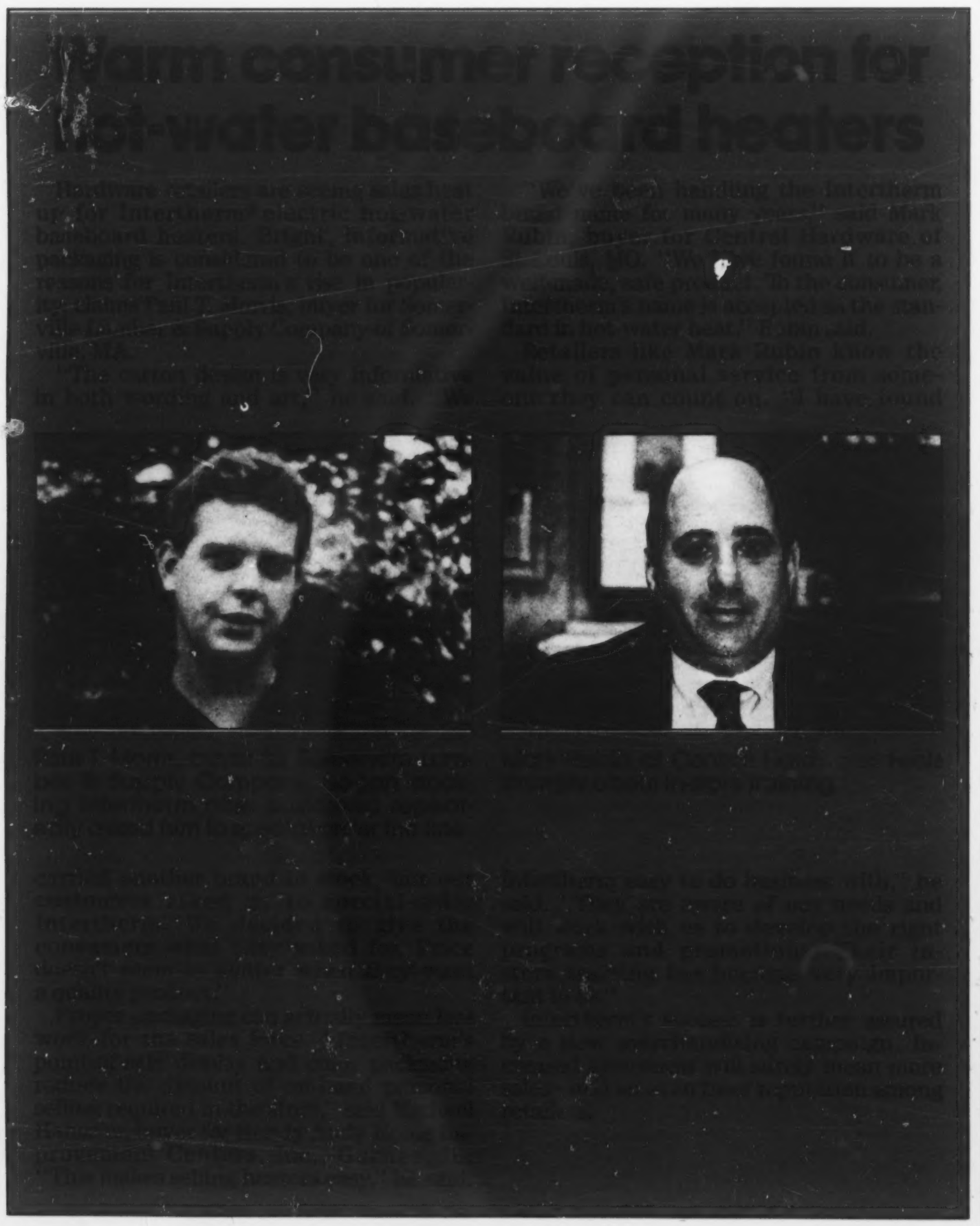
Kossar, whose name had been prominent throughout the divestitures as the possible inheritor of all 340 units, bought the four-unit Home Quarter's warehouse chain in Virginia Beach, Va., for $10 million.

In both sales, Grace will retain some ownership. In Home Quarter, Grace will hold approximately a 25 percent stake; in the new Channel Home Centers Incorporated, approximately one-third.

Top in Number of Stores

Rank	Company	Stores
1	Wickes Cos., Santa Monica, Calif.	397
2	84 Lumber, Eighty-Four, Pa.	373
3	Lowe's Cos., North Wilkesboro, N.C.	300
4	Grossman's, Braintree, Mass.	272
5	Channel Home Centers, Whippany, N.J.	201
6	Payless Cashways, Kansas City, Mo.	181
7	Carter-Jones Lumber, Kent, Ohio	146
8	Lanoga, Seattle	135
9	Aubuchon Hardware, Westminster, Mass.	132
10	Scotty's, Winter Haven, Fla.	131
11	Pay 'N Pak, Kent, Wash.	107
12	Sutherland, Kansas City, Mo.	96
13	Builders Square, San Antonio, Texas	87
14	Diamond Lumber, Sacramento	86
15	Copeland Lumber Yards, Portland, Ore.	75

Source: Company data; *NHCN* research; *NHCN* chart



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Builders Square ends '86 as top warehouse firm

By an NHCN staff editor

SAN ANTONIO — Opening nearly a store a week, Builders Square exceeded its expansion projections last year to end 1986 as the top warehouse operator with 87 outlets, and the industry's seventh-largest chain.

At times, the store growth must have even confounded management. The company opened seven new stores on a single day in late May, possibly an industry record.

$700 million in '86 sales

Some industry observers speculated that Builders Square would have reached a billion dollar sales volume by year's end when it picked up 12 former Mr. HOW units and four un-built Mr. HOW locations in late August.

As it turned out, sales hit $700 million for 1986, a jump of about 47 percent over its 1985 performance of $365 million.

But with 35 new stores on tap for 1987, which would bring the company some 122 units—nearly twice that of the Home Depot—it's a foregone conclusion the K mart subsidiary will easily break the billion dollar sales barrier by year's end.

True to its aggressive image, Builders Square has already raised eyebrows in 1987 by moving to the backyard of the company that started the warehouse phenomenon, the Home Depot.

In January, the company announced plans to open two Builders Square units in Atlanta by this summer. It is also renovating a K mart into a Builders Square in that city, and is negotiating for still another store there.

In the same vein, Builders Square is exploring the possibility of opening somewhere in the Northeast, Denny said.

Within the expansion is a little contraction. Frank Denny, the chain's president, pointed out that the company has reduced its sku's by 8,000 to 24,000 items, the result of a "natural evolution."

Top Gainers in % of DIY Sales

Rank	Company	% Change
1	Builders Square, San Antonio, Texas	92
2	Mr. Goodbuys, Philadelphia	67
3	HomeClub, Fullerton, Calif.	64
—	Plywood Minnesota, Minneapolis	64
5	Alexander Lumber, Aurora, Ill.	54
—	Gerrity Building Centers, Meredith, N.H.	54
7	Seigle's Home Centers, Elgin, Ill.	53
8	The Home Depot, Atlanta	44
9	Handy Andy, Gurnee, Ill.	42
10	Lezzer Lumber, Curwensville, Pa.	40
11	National Home Center, Springdale, Ark.	39
12	P. F. O'Connor, Providence, R.I.	38
—	Wickes Cos., Santa Monica, Calif.	38
14	Erb Lumber, Birmingham, Mich.	31
15	Pergament Home Centers, Melville, N.Y.	30

Source: Company data; *NHCN* research; *NHCN* chart

Perspectives

annual report

Top Gainers in Store Count

Rank	Company	Store Increase (in units)
1	Wickes Cos., Santa Monica, Calif.	122
2	Builders Square, San Antonio, Texas	57
3	Lowe's Cos., North Wilkesboro, N.C.	18
4	Erb Lumber, Birmingham, Mich.	16
5	Payless Cashways, Kansas City, Mo.	12
6	Sutherland, Kansas City, Mo.	11
7	HomeClub, Fullerton, Calif.	10
—	The Home Depot, Atlanta	10
9	Handy Andy, Gurnee, Ill.	8
10	Hechinger, Landover, Md.	7
—	McCoy's, San Marcos, Texas	7
—	Scotty's, Winter Haven, Fla.	7
13	ACO, Farmington Hills, Mich.	6
—	National Hardgoods Dist., Stoughton, Mass.	6
15	Westlake Ace Hardware, Moberly, Mo.	5

Source: Company data; *NHCN* research; *NHCN* chart

Sutherland expands in South, increases sales by 5% in 1986

By an NHCN staff editor

KANSAS CITY, Mo. — Expansion into the Southern part of the U.S., a successful new ad program that may be extended to several of its markets, and the initial development of a new retail computer system were the highlights in 1986 for Sutherland Lumber.

Most growth in South

Sutherland, the industry's ninth largest home center chain, saw its sales increase by around 5 percent to $605 million. The company embarked on an expansion drive that increased its store count by 11 units to 96.

According to Dwight Sutherland, one of the six family partners who run the business, most of that growth was in the Southeast and Southwest, where the company intends to add at least two more stores this year.

Sutherland also noted that the chain experimented with a new ad promotion, known as the "Yellow Sheets" in its stores in Oklahoma that featured special pricing on a variety of items. "The program was successful and we could be trying it in other markets this year," he said.

Earlier last year, Sutherland Lumber hired Bill Bryan as its new Electronic Data Processing manager, who informed *NHCN* that the chain was beginning to roll out a new computer system, with between 15 to 20 stores having gone up on perpetual inventory control by June, 1986.

Company officials confirmed that other stores in the chain would get this system, although it could not be determined how many had had it installed by the end of last year.

84 Lumber returns to roots, goes after contractor sales

By an NHCN staff editor

EIGHTY FOUR, Pa. — 84 Lumber, the industry's second largest chain in store count, grew only marginally in 1986.

Its sales increased by only 4.8 percent to $683 million, making 84 Lumber the eighth largest sales chain in the home improvement industry. But the chain had a net gain of only two stores last year.

Last month, the company opened its 374th store in Maysville, Ky. According to director of public relations Jay Mitchell, 84 will concentrate any future store growth in existing markets. "We're keeping our cluster concept alive," he said.

The company has also been reducing the size of its existing units from an average of 15,000 square feet in 1985 to around 10,000 square feet. Mitchell explained that this coincides with 84's new "Back to the Future" celebrating its 30th anniversary in 1987, during which the company will be moving back towards its traditional contractor customers.

He expected the percentage of sales it gets from DIY transactions—currently 60 percent of the total—will drop off in 1987 due to this strategy.

The company began experiencing intensified competition near its headquarters in Pittsburgh, where it operates 20 stores. Hechinger and Busy Beaver have forced 84 Lumber to become more alert to market conditions, but Mitchell said the chain would be able to compete against all comers "with pricing."

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Rickel adds 9 stores in '86 following several slow years

By an NHCN staff editor

SOUTH PLAINFIELD, N.J. — Rickel Home Centers saw its sales grow by more than 8 percent to $416 million in 1986, as the industry's 11th largest chain added nine new stores and plans to expand by another six this year. This expansion comes after a few slow-growth years for the chain.

"We were moderately successful [in 1986], considering that it was not exactly a banner year for consumer demand," noted John Henry, Rickel's vp-finance.

A good portion of the company's success was, no doubt, attributable to its new dedication to consumers that included a retrofit program that began last year to convert its stores to what company president Chuck Davis calls "The New Rickel": placing greater emnphasis on a higher-end merchandise presentation. The concept was most prominently revealed in Rickel's Glen Burnie, Md., store.

This 55,000-square-foot unit, which will serve as a prototype of sorts for further retrofits, includes limited use of steel racking and a greater mix of accessories and impulse items.

Rickel also starting rolling out its new computerized POS system that takes purchase orders from vendors and Rickel's 800,000-square-foot distribution center and downloads them to individual stores.

In addition, Rickel began implementing a number of in-store customer services designed to improve its public image. These included adding 88 new cash registers chainwide to speed consumer sales; the development of a new rebate program; the offering of new lost-cost finance for consumers making big purchases; a new tool rental program; and a "Red Cap" service to help people get their products to their cars.

As the company continues to expand, it will be able to keep expenses down as its experiments with utilizing a pre-engineered corrugated steel building, whose construction in Johnson City, N.Y., last summer cut Rickel's new store costs by 15%. This store, though, will be used primarily in less-populated markets.

A number of these changes appeared to coincide with the 47-year-old Davis' elevation to Rickel's chief executive officer slot at the beginning of the year. Davis replaced Stanley Abramson, who retired.

Rickel continues to enjoy the strong backing of its parent, Supermarkets General, which in 1986 earmarked 15% of its $200 million capital expenditures for the chain's growth. This is why there is major concern among Rickel officials over the prospect that Supermarkets General is currently a takeover target of the

Hechinger steps up expansion plan

By an NHCN staff editor

LANDOVER, Md. — Hechinger wrapped up 1986 with 61 stores, up from the 54 units it operated at the end of the previous year.

Revenues for the industry's 10th biggest chain came to $588 million, representing an increase of 23 percent over 1985.

The chain launched a $16 million drive last year to remodel its stores—traditional and warehouse units alike—into a prototype called "the new Hechinger." The prototype includes the best of the company's warehouse and traditional stores.

The renovations would come to $300,000 to $500,000 for each store, according to the company.

The stores will have the 40,000 stockkeeping units of the chain's traditional stores, rather than the 25,000 sku count of the warehouse units the company had built.

Early in 1987, the chain announced it was rolling out a new interior decorator service in all of its future stores. New stores also include a gray and red color scheme, and an upscaled housewares department.

Last month, Hechinger raised $142.1 million in a new public debt offering to fund a major expansion drive over the next 24 months.

The drive includes a new distribution center in Charlotte, N.C. and about 28 new stores in its old markets, as well as in six new markets.

Hechinger also confirmed it was looking for a DC in the Northeast.

Hechinger moved into the South Carolina market for the first time in October with a 70,000-square-foot unit in city of Greenville.

Scotty's battles expanding Fla. competition

By an NHCN staff editor

WINTER HAVEN, Fla. — In the last five years, the amount of retail selling space in Scotty's markets has doubled, according to Harold Taylor, senior vp-secretary of the 137-unit retailer, based here.

And that doesn't include the discount retailers like K mart and Wal-Mart, he said.

At the same time, sales at the company have risen 7 percent during calendar year 1986 to $507 million. This total dropped Scotty's out of the top 10 home centers list.

In 1986, Scotty's executives announced that the company would be scaling back on its new store expansion program because of its impact on profitability. And it also closed some old stores in markets where replacements would be or are being built.

Even with the cutbacks, Scotty's remained determined to add 10 percent more square footage. Most recently, it opened a 49,000-square-foot store in Port St. Lucie, Fla. This is the only format Scotty's is pursuing for its home centers, Taylor said.

Last year, the retailer also determined that its experiment with its hardware store format was successful and has permanently incorporated it into the company's store mix.

The retailer also expanded the merchandise mix at the hardware stores to include such items as fish and tackle supplies, stationery, greeting cards, camera film and candy.

Through the end of the 1986 Scotty's had a total of 131 stores, 108 full line home centers totaling 4.5 million square feet, or an average of 31,700 square feet per store. It had 21 hardware stores totaling 180,718 square feet, for an average of 8,600 square feet per unit, and two factory outlets.

Curently, Scotty's has 17 hardware stores and plans to have about 30 by year-end, said Taylor.

Scotty's is undergoing some modifications, the most notable of which is the 49,000-square-foot format. And recently, Scotty's announced that it was testing a program of larger lawn and garden departments in seven of its home centers.

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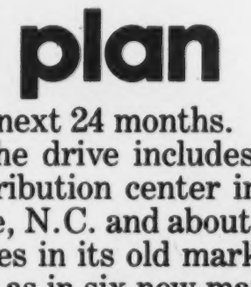

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Zayre optimistic after rocky HomeClub acquisition

By an NHCN staff editor

FULLERTON, Calif. — HomeClub's transition from an entrepreneurial-style operation to a professionally managed company went through a rocky year under the leadership of parent Zayre Corp.

HomeClub, the industry's 13th biggest chain with sales of $410 million last year, merged with Zayre on Nov. 19, 1985, when it was a two-year-old, 14-unit California-based membership warehouse home improvement chain. The deal cost Zayre almost $150 million.

HomeClub founder and president Robert McNulty, 39, was replaced last summer by Herbert Zarkin, 47, a veteran Zayre Stores executive. Zarkin stepped up from executive vp, marketing and real estate for Zayre stores.

Zayre officials have hinted that the HomeClub acquisition has been a troubling experience. They said HomeClub's below-plan second quarter results, for example, dragged earnings down for the entire company. But, on-the-record, they are positive.

Zayre officials believe that homeowner-oriented, cash-and-carry HomeClub—operating 100,000-square-foot warehouses at 21 percent profit margins—is a long-term winner. They say it is a complementary business to their also-fledgling BJ's Wholesale general merchandise membership warehouse chain.

On Sept. 15, Zayre Stores' senior executive vp John Levy was named to the newly created post of corporate executive vp in charge of both membership clubs. His task is to dike the red ink flow which has seen BJ's and HomeClub together suffer $11.9 million in losses on $909.9 million sales for the fiscal year ended Jan. 31.

HomeClub's low-margin, no-frills, Price Club-like approach to the home improvement business has made it one of the toughest competitors in the West Coast DIY marketplace.

HomeClub established its marketplace niche under the leadership of McNulty. HomeClub ended 1986 with the addition of 10 new warehouses, raising its chainwide total to 28. In an unprecedented DIY industry grand-opening blitz, half of those units were opened on the same day—June 26—at five California locations. HomeClub also entered new markets in Seattle and Denver last year.

With a number of its newer stores being open for only part of 1986, HomeClub's officials are confident that the chain's annualized sales will pass the $1 billion threshold in 1987.

Expansion plan affects Pay 'N Pak's 1986 earnings

By an NHCN staff editor

KENT, Wash. — Pay 'N Pak Stores, which operates 107 units in 17 Western and Midwestern states, posted a 30.4 percent decrease in earnings to $5.7 million on sales that rose 19.4 percent to $398.4 million for the latest fiscal year.

In the fourth quarter ended Feb. 28, 1987, earnings were $1.13 million on sales of $83.1 million compared with earnings of $1.3 million on sales of $74.5 million for the same year-earlier quarter.

During 1986, Pay 'N Pak, the industry's 14th largest home center chain, opened new warehouse stores in Indio, Calif., and Bremerton, Wash., closed a store in Milwaukie, Ore., and either replaced or converted 10 existing stores to its modified warehouse format.

David J. Heerensperger, chairman and ceo, said the company posted a net increase of 8 percent in selling space last year.

"While earnings were off for the quarter and the year, we have completed most of our expansion program which has increased the average store size by 33 percent in just three years," he said.

"This expansion, along with difficult competitive conditions, has severely impacted earnings during the past three years. With substantially all of our expansion costs behind us, and higher gross profit margins being realized, we look forward to a year of improved profitability."

Last month, Pay 'N Pak was the subject of a takeover bid from a private investor, Paul Bilzerian. He offered $171 million for the company.

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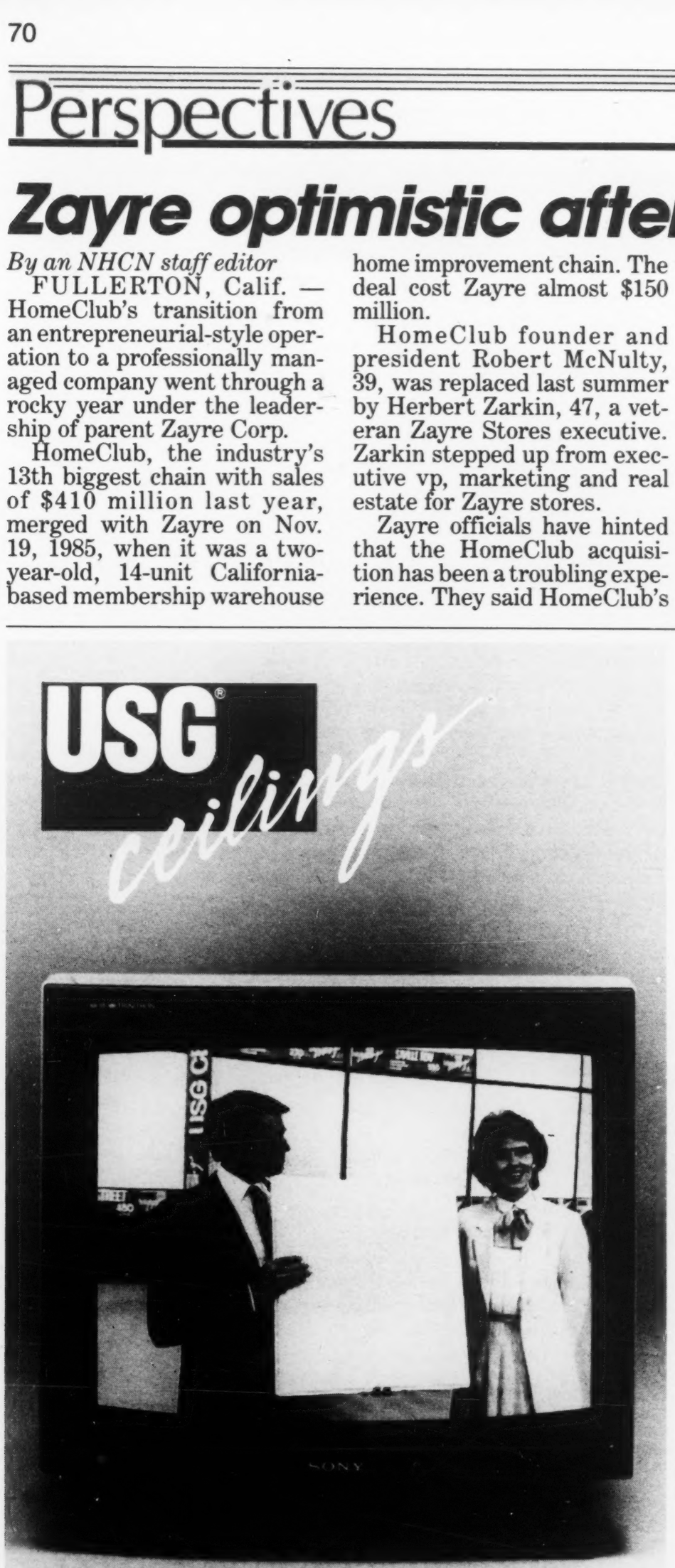

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Lanoga centralizes merchandising efforts to boost sales

By an NHCN staff editor

REDMOND, Wash. — The major development in 1986 at Lanoga Corp., the contractor-dominated and rural-market-focused operator of 135 stores in 11 states, was the opening of a corporate merchandising and marketing office in this Seattle suburb.

Named to head the corporate merchandising department was former Pay 'N Pak executive vp Monte A. Leen. Leen's goal is to boost Lanoga's DIY-oriented sales and profits through the centralization of both marketing and purchasing efforts.

Last year, Lanoga's total volume from three chains was off 4 percent to $322 million, half of which coming from contractor transactions. These sales placed Lanoga as the industry's 17th biggest company.

Leen's newly created job title at Lanoga is vp-marketing and merchandising. Three merchandisers and an advertising manager are reporting to him.

The new office was intended to de-emphasize autonomous merchandising decisions now made by executives at the three Lanoga chains—the 108-unit United Building Centers; 11-unit Spenard; and 16-unit Lumbermen's.

"In the past, Lanoga's three divisions negotiated most vendor programs individually," then-president Theodore T. Tanase said in a statement issued last November. "This process was supervised by the Lanoga merchandising council comprised of the director of marketing from each of the divisions and Lanoga. This worked well, but we see an opportunity to leverage Lanoga's buying power."

Lanoga's divisions include the 108-unit, Minnesota-based United Building Centers, 11-unit Spenard Builders Supply in Alaska and 16-unit Lumbermen's in Washington and Oregon.

Leen said that eventually the chainwide in-store presentation will be "more compatible" in terms of decor, merchandise assortment and "standardization of products."

"We will be doing planograms that will apply to a fair share of the stores in all divisions," he said. "We will adapt programs to fit the wide variety of store sizes. Some divisions will take a program and shrink it down further."

In more recent developments, Lanoga's management has become a revolving door. Tanase, ceo of Lanoga since 1981, resigned in late February of this year. Also, early this year, Susan McNab, vp-personnel, resigned to join Ernst Home Centers in a similar position.

In personnel moves last year, Bill Matthews, Lanoga's director of marketing and merchandising since January 1982, resigned, joining three-unit Builders Supply Home Centers, Palm Springs, Calif., in mid-November, as executive vp and coo.

Lanoga's corporate offices, formerly situated in the landmark downtown Seattle Norton high-rise office building, relocated along with the merchandising staff into a larger Redmond office complex in February of this year.

The new headquarters are located a half block from a 2 ½-year-old, 30,000-square-foot Lumbermen's outlet which will serve as the flagship prototype for future Lanoga stores, Leen said.

Menard posts modest sales & store growth

By an NHCN staff editor

EAU CLAIRE, Wis. — It was a year like any other year for Menard Cashway. Modest expansion, acquisition rumors, continued sales growth, aggressive advertising and problems with the law.

Menard's, which opened stores in Duluth and Apple Valley, Minn., last year, posting estimated 1986 sales of $380 million, a 9 percent gain over 1985. This ranks Menard's 15th among home center chains.

Last winter, taking the cue from a television shopping survey of home centers in Minneapolis-St. Paul, Menard's took out a full-page ad touting its lowest prices. The ad and survey angered another Twin Cities retailer enough to pull its advertising from the TV station sponsoring the survey.

It was a hot summer in 1986 for Menard's. It was prominently mentioned as making bids for three Knox Lumber locations and as many as five former Mr. HOWs in Chicago.

Chain president John Menard said he was looking to acquire Knox Lumber locations in Fargo, N.D., Sioux Falls, S.D., and Duluth, Minn., but said Knox's asking price held up the acquisition. Menard's efforts were eventually stymied when Payless Cashways snapped up the entire 10-unit Knox chain last October for $24 million.

Probably because of high lease costs, Menard's bowed out of interest in the hotly competitive Chicago market, leaving the Mr. HOW properties to the more acquisition-aggressive Handy Andy.

The summer ended on a second down note for the chain, when a Wisconsin Circuit Court Judge ordered Menard's to pay a $22,400 fine for violating Wisconsin's deceptive advertising laws.

Diamond gets aggressive after turbulent '86

By an NHCN staff editor

CARROLLTON, Tex. — Diamond Lumber went through a tumultuous 1986, during which it faced sporadic cash flow shortages and was forced to shutter unprofitable stores.

But despite its travails the 86-unit chain also set out on a more aggressive merchandising and marketing track, and showed interest in becoming a national operation.

Diamond, the industry's 16th largest operation, enjoyed a modest 3.9% increase in sales in 1986 to $338 million. But it also reduced its store count by 10 and, through last month, has further reduced that count to 75 stores in recent months.

Early in the year, the company ran into some problems paying its bills until it was able to secure $10 million in additional credit from its parent, Michigan General, which has been having its own problems lately and recently announced that its own existence is precarious if it isn't able to reduce its debt burden.

Diamond's own profitability has sagged in the past two years. (Through August, 1986, 55 of Diamond's then 94 outlets had lower operating income than over the same period in 1985.)

However, company president Harlon Seats (who arrived in late 1985) and his staff—to which former Payless Cashways executives Larry Morrissey, Doug Berard and Eric Peterson were added last year—didn't sit still waiting for things to improve.

Starting on January 30 of last year, Diamond kicked off its first nationwide media blitz under the working theme of "We Bring Out The Builder in You."

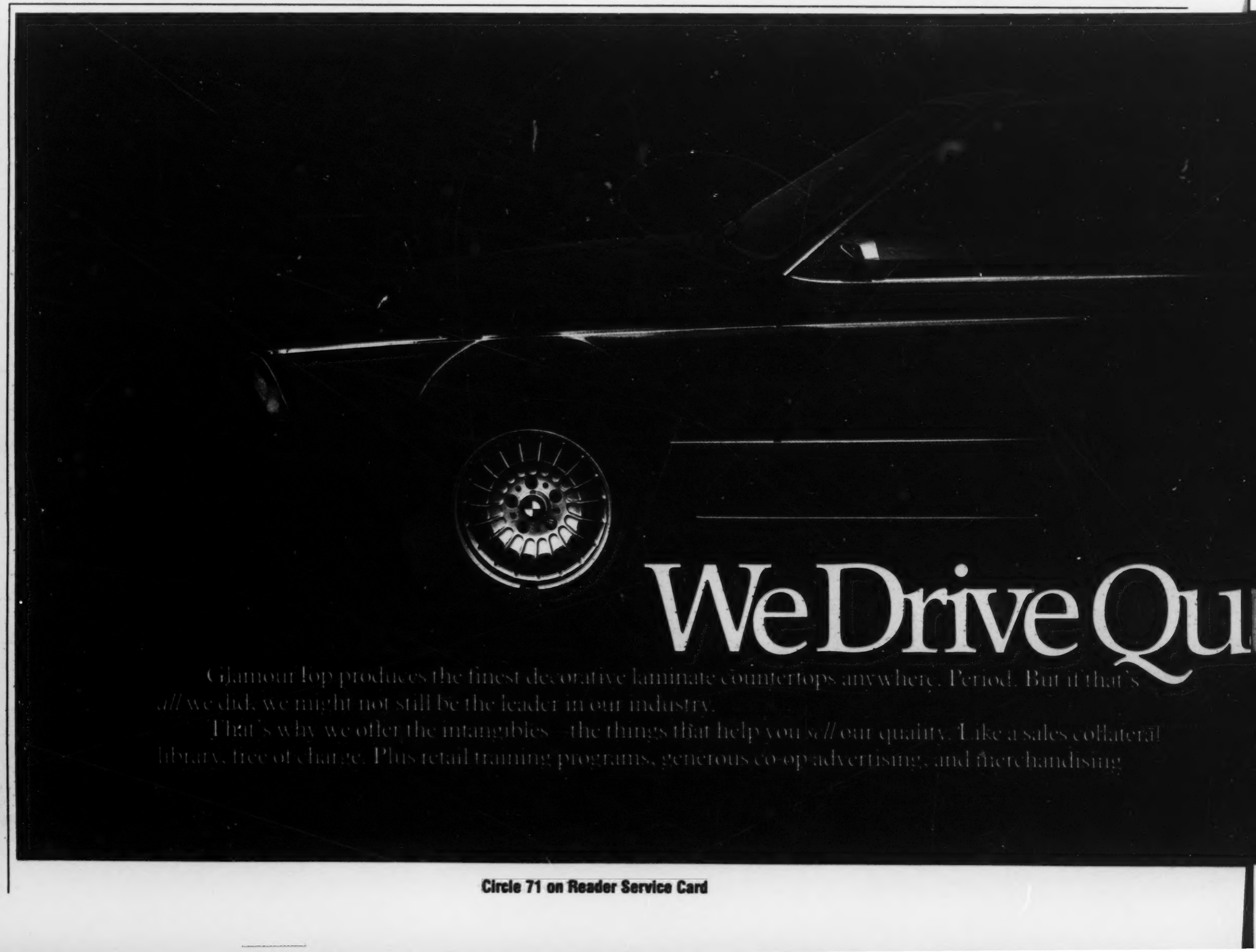
The company opened a 35,000-square-foot distribution center in Sacramento, Calif., as part of establishing a national purchasing program and stripping up to 40 percent of all orders away from manufacturer's representatives. However, Seats observed that the company's entire distribution network had been in disarray and needed to be revamped.

But perhaps most important has been Diamond's attempt to squeeze more DIY sales out of its stores through improved pricing and product assortment and by expanding existing units.

These "destination stores," as Seats refers to them, could be as large as the 17,000-square-foot unit the chain retrofitted last summer in Kansas City, Mo. (Diamond's stores average only around 5,000 square feet currently.)

Other in-store improvements included the testing of a point-of-sale computer system that was expected to be installed chainwide, at a cost that would exceed $4 million, this year.

It should be noted that Diamond's future is still in question. It needed a capital infusion again after running into the cash flow problems briefly earlier this year. And Michigan General's faltering status could change everything.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Ernst record year may signal return to public ownership

By an NHCN staff editor

SEATTLE — Ernst Home & Nursery generated record sales increases as well as three straight quarters of profitability during a turnaround year driven by new advertising, merchandisng and employee incentive programs.

A 19 percent jump in sales to $310 million kept Ernst in the 18th position among major home center chains last year.

The privately held, 73-unit chain had lost money in the two previous years, and posting a profitable year may signal an effort to return Ernst to public ownership.

The chain was taken private in October 1984 in a deal engineered between former Ernst parent Pay 'N Save and the New York-based Trump Group, controlled by Julius and Eddie Trump.

A major factor contributing to the improved results was a sales incentive program for the chain's 3,000 employees which was implemented by Hal Smith, the chain's president and ceo. In the program, up to 1½ percent of sales at store level were given back to employees as bonuses.

As the year progressed, the incentive program was expanded to include a bonus to stores that were able to raise their gross profit margins.

Smith was recruited to join Ernst as president and ceo in early March 1986 from Irvine, Calif.-based Builders Emporium, where he also was president and ceo.

Smith said that although Ernst is aware of the low-margin warehouse format entering its Pacific Northwest markets, it is focusing on merchandise and programs that offer "margin opportunities in categories that warehouses have a hard time doing."

Also, Ernst restructured its prices on basic competitive price-sensitive items in order to further its position as the dominant chain in the Northwest.

To further differentiate itself and increase its overall home improvement business, Ernst late in the year implemented a new program offering installation of several big-ticket categories as well as special order capabilities and signed an agreement for a franchise contractor firm, Mr. Build, to provide the labor for all related projects.

West's moderate figures mask behind-the-scenes action

By an NHCN staff editor

ATLANTA — West Building Materials spent a good deal of its efforts last year in constructing new stores larger than 75,000 square feet, and closing down some of its smaller units that were not performing to the company's standards.

The company achieved revenues of $260 million last year, up by 4 percent from results in 1985.

And it wound up 1986 with 64 stores. That's the same number it operated at the end of the previous year.

The conservative numbers, however, mask a lot of the action going on behind the scenes at West.

Much of that action has centered around picking up stores from other companies and converting them into its "super store" concept.

Last month, for example, the chain opened an 84,000-square-foot "super store" in a former Belk Department Store in Brunswick, Ga.

That a company would build such a large store in a small market reflects the apparent success the firm has achieved with its large format concept. This concept, although introduced several years ago, was rolled out most actively last year.

One of the most dramatic of such instances was the purchase of a 100,000-square-foot former Sears unit in Montgomery, Ala., last year. Again, this became a West super store. It could not be ascertained how much of this site would be used for West's new store, though.

The company also purchased a former car dealership in Anderson, S.C., and converted the 30,000 square foot unit into a super store.

Other takeovers and conversions occurred in Ft. Walton Beach, Fla.; Pensacola, Fla.; Panama City, Fla.; and Tuscaloosa, Ala.

West also increased its Atlanta presence with a new unit in the northeast suburb of Lawrenceville, Ga.

The company continued its policy of arranging for test programs, of 90-day duration, with vendors for some new products. And the firm has also continued to roll out its point of sale terminals, hooked up to an IBM computer which it purchased in 1984.

Pergament plans to open larger replacement units

By an NHCN staff editor

MELVILLE, N.Y. — Better advertising, merchandising and business practices are behind the 30 percent increase in sales last year achieved by Pergament Home Centers, the industry's 19th largest chain.

According to company vice president Martin Pepkin, the retailer with 42 units in the metropolitan New York market, recorded sales last year of $260 million, all of which coming from DIYers.

Pergament opened just two stores last year, in Riverhead and Peekskill, N.Y., both warehouse units, and anticipates opening five stores this year.

The 1987 store opening schedule will include new and replacement stores, all of which will be warehouse-type units, said Pepkin.

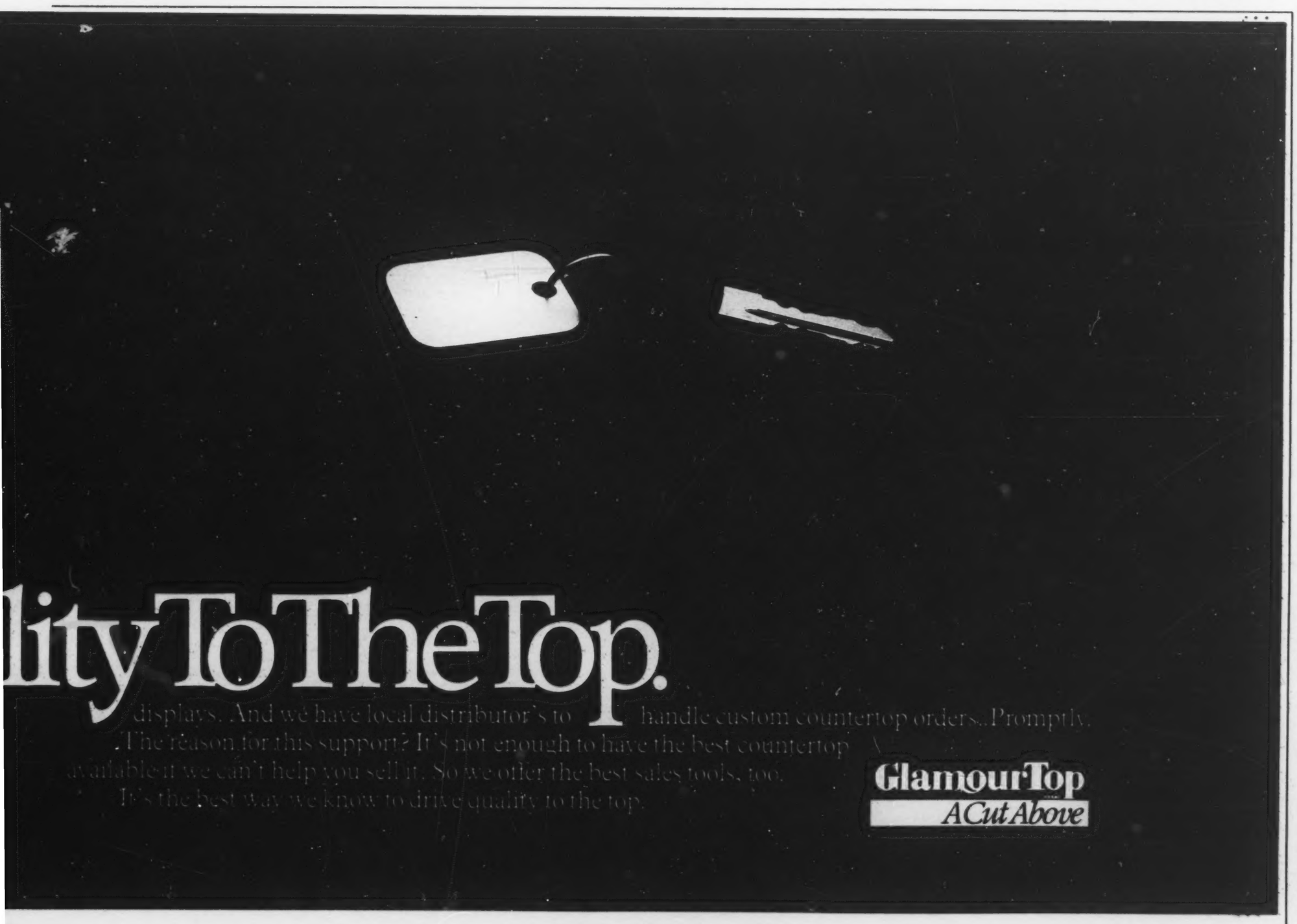
So far, Pergament will open new replacement stores in Patchogue and Port Jefferson, N.Y., and hopes to replace its units in Nanuet and Spring Valley, N.Y., as well.

The replacement stores are part of the company's program to replace its smaller units with larger, more modern stores.

Expansion is still targeted for the Hudson River Valley region of New York State; Connecticut; and New Jersey.

This year Pergament will experience two new competitive challenges. Both Hechinger, based in Landover, Md., and Mr. Goodbuys, out of Philadelphia, will open units on Long Island in New York. And Pergament is preparing for these two events.

While Pergament has dedicated much time and effort into expanding the size of its stores, from an average of 30,000 square feet in 1985 to 35,000 square feet in 1986, Pepkin reported that the total stockkeeping unit count has remained constant at about 30,000 sku's. The mix, however, has been refined to include more furniture, flooring, electronics, housewares, seasonals and general merchandise.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Central purchases signal end of 3-yr. expansion lull

By an NHCN staff editor

BRIDGETON, Mo. — Central Hardware came out of a three-year expansion lull with the news that it had purchased four Mr. HOW locations.

Central, with flat estimated 1986 sales of $270 million, picked up leases of two stores and purchased two parcels of land of Mr. HOW locations, two each in Cincinatti and Nashville. The late 1986 purchase and 1987 reopenings increased the chain size from 31 to 35 units in the Midwest.

The Nashville acquisitions were the chain's first venture into that market and could set the stage for additional units.

"We are in a good position," said Central President Jim Cohen, "for expansion and looking for opportunities. If they present themselves, we can take advantage of them," he said.

While there were no formal remerchandising plans, Cohen said there was an ongoing upgrading to the stores, keeping them abreast of marketing and merchandising trends.

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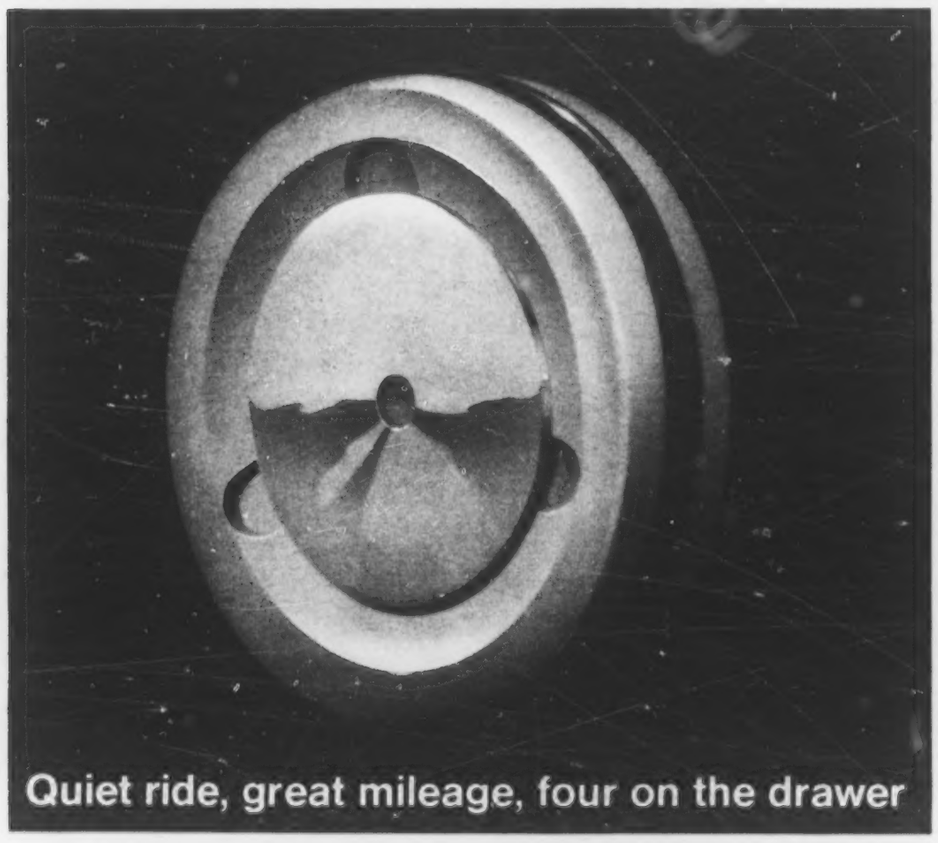

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Perspectives

Carter sales down as competition continues to mount

By an NHCN staff editor

KENT, Ohio — Carter Lumber ended 1986 with 146 stores, the same number it operated at the end of the previous year.

Revenues came to $210 million, up 5 percent over 1985 results. It is the 23rd largest home center chain in the industry.

The 1986 results reflect somewhat of a slowdown over 1985. That year, Carter's revenues topped $200 million, a 21 percent increase over the previous year. And its store count increased by four.

Carter made no remarkable acquisitions in 1986. Its last such move occurred with the purchase of Z&L Lumber in 1984.

The company feels the market environment is favorable for the foreseeable future.

"We have a good strong economy, and we are looking for continued growth and expansion this year," said Bryan Carter, company president.

"Builders Square and Furrows are still moving in, but they haven't affected us much yet," he added.

One wild card in the overall economy, though, is the tax reform act, Carter said.

"I see it as detrimental, taking away cash flow from the economy," Carter said. He indicated he felt the impact would show up next year.

Carter noted the law was especially detrimental to corporations, and that this may have a negative effect on business in general.

Carter operates stores with showrooms of some 8,000 square feet, and employs close to 2,000 employees chainwide.

Erb goes private after acquiring Peter Kuntz units

By an NHCN staff editor

BIRMINGHAM, Mich. — After its acquisition of Peter Kuntz Lumber last summer, Erb Lumber took the unexpected move of taking the public company private.

On July 24, 1986, Erb paid $25 million for the 21 Peter Kuntz home centers in and around Dayton, Ohio, a move that will bring Erb an estimated $60 million more in sales this year. The acquisition grew the Erb retail chain to 42 stores from 26 stores in 1985.

Erb posted sales of $249 million last year, up from the $190 million it made in 1985 prior to the PK acquisition. It is now the 22nd largest chain.

Then, last December, Erb received stockholder approval to take the company private after 16 years of trading on the over-the-counter exchange. Erb bought back the outstanding shares for $21.2 million. Financing came from a $60 million line of credit secured for ongoing operations.

The privately-held firm is under the control of Erb Lumber president Fred A. Erb and members of the Erb family.

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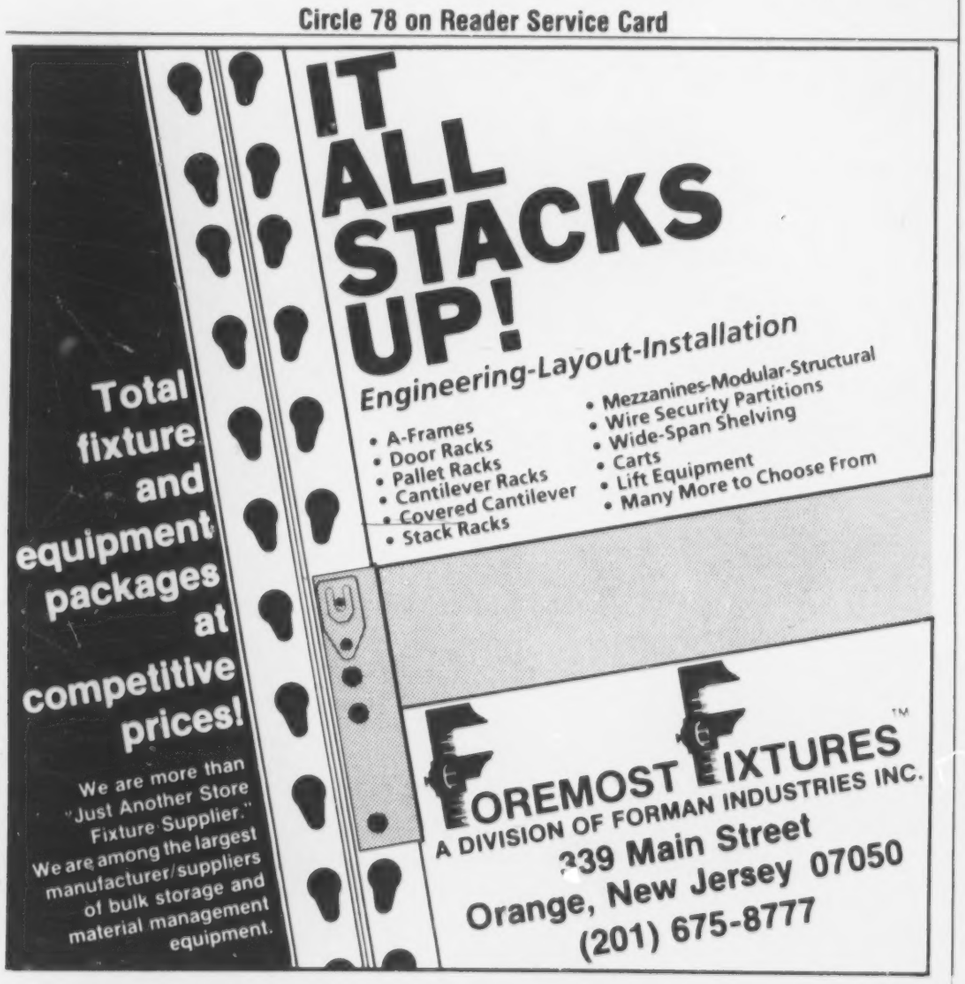
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Perspectives

annual report

Wolohan enjoys record sales and highest income in its history

By an NHCN staff editor

SAGINAW, Mich. — Wolohan Lumber continues to rebound, as it enjoyed record sales and earnings in 1986.

The 39-unit chain's volume increased by 29 percent last year to $194.4 million, the third year in a row Wolohan's sales went up. It was the industry's 24th largest home center chain in 1986.

Net income improved by 51 percent to $5.3 million, which was three percentage points higher than the best earnings year the company ever had back in 1978.

Wolohan grew by five new units in 1986, and built two stores—in Marion, Ill., and Ashland, Ky.—to replace older units.

Its capital expenditures in 1986 were a record $7.8 million, of which $3.4 million was used for new store construction and another $2.9 million for store relocations. In total, the chain added 193,000 square feet of selling space.

Flush from record sales and earnings in 1986, Wolohan is now seeking growth through acquisition. NHCN photo

> Wolohan Lumber is now on the acquisition trail, and is looking to buy smaller retail operations.

New store openings

The company said that it plans to open between three and five units in 1987. And, more important, Wolohan Lumber is now on the acquisition trail, and is looking to buy smaller retail operations.

Wolohan also spent $218,000 to remodel three of its stores last year and another $1.4 million for "equipment and replacements," thereby completing its five-year retrofit program.

According to Wolohan Lumber's annual report, the chain's gross margins fell to 26 percent from 26.3 percent a year ago.

However, this drop was the result of liquidating about $2.3 million in slow-moving inventory, and helped the chain improve its inventory turns to 6.5 times annually, from 5 times in 1985.

Wolohan also strengthened its management team by the election last June of James Wolohan as president and chief operating officer; and Timothy Stein as vp-general merchandise manager.

Its annual report projects net income to, at a minimum, be 3 percent of sales in 1987, and to exceed the $200 million mark for the first time in Wolohan Lumber's history.

McCoy's plans first move outside of Texas in '87

By an NHCN staff editor

SAN MARCOS, Tex. — McCoy's Building Supply Centers here added seven new stores in 1986, and is looking to make its first growth move outside the state of Texas this year.

The Texas economy was not that kind to McCoy's last year, as the chain's sales dipped slightly to $191 million.

"Like everyone else, we're glad to see 1986 over," said Brian McCoy, the chain's vice president.

McCoy noted that his company did a number of consumer intercept interviews over the course of last year, and found that about 30 percent of its cash-and-carry sales were coming from builders, a higher percentage than previously estimated.

> 'Like everyone else, we're glad to see 1986 over.'
>
> **Brian McCoy, vice president, McCoy's Building Supply Centers**

"I don't think it's really all that different from the last few years; it's just that we're tracking contractor sales more closely," McCoy explained.

Next year, the company plans to add another eight stores to its chain, bringing its total to 80. McCoy did not expect there to be much difference in the makeup of its clientele.

The company's stores average around 8,000 square feet and carry 8,000 stockkeeping units, by *NHCN* estimates.

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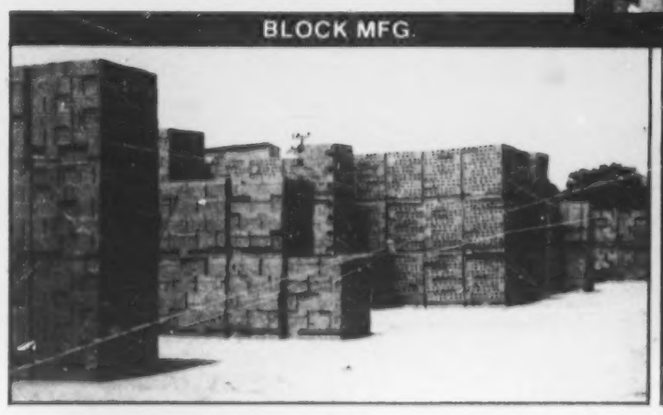

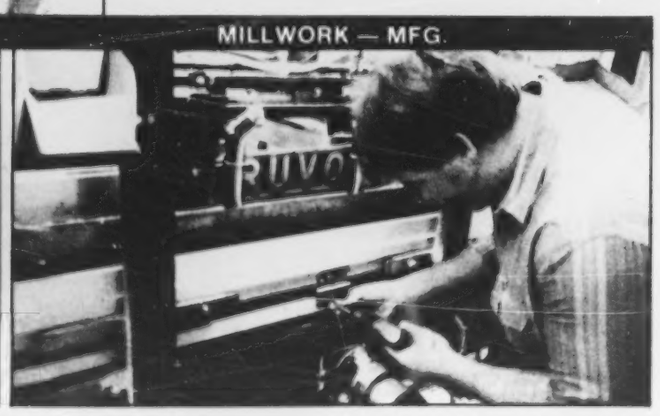

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Perspectives

annual report

Discounters take $10B piece of home improvement pie

By an NHCN staff editor

NATIONAL REPORT — Discount stores and mass merchandise chains continue to be significant magnets for home improvement shoppers. Despite an increase in competition from home centers, the discounters in general are not de-emphasizing their commitment to this category of merchandise.

Home centers continue to expand their market penetration while managing to maintain a "peaceful coexistence" with traditional discounters such as K mart which attract DIY customers with low prices and convenience.

Ed Weller, an analyst with Montgomery Securities in San Francisco, said discounters are not putting less emphasis on selling home improvement merchandise because of increased competition from home center retailers.

The nation's largest discounter, K mart, continues to aggressively grow its Builders Square home center chain and Weller said the Troy, Mich.-based retailer is not neglecting its home improvement sales at K mart discount stores, either.

"They are expanding their Home Care Centers where they see the opportunity," Weller said. Last year, K mart added the home center departments to 33 K mart stores, bringing the number to 320 stores out of 2,100 nationwide that have the full-fledged home improvement departments.

1½ times Lowe's sales

Sears, meantime, continues to be a major force in the home center arena, in part because of the quality and reliability of its products such as portable power tools. Industry estimates place its home improvement sales in excess of $4 billion, compared with the Sears' merchandising group's overall 1986 sales of $27.01 billion. Sears' home improvement sales, by comparison, are more than 1½ times those of Lowe's, the largest home center chain.

Mike Mangan, a spokesman for the Sears' home improvement group, said Sears "is so committed" to this product category that it plans to open 50 Sears Paint & Hardware stores this year. Sears now operates 38 Paint & Hardware stores clustered in major markets averaging 4,000 square feet each.

A major exception to growth in the home improvement category is Montgomery Ward, which has developed a strategic plan to become a value-driven specialty store chain, resulting in a substantial cutback in a number of product lines including home care and hardware.

Chuck Thorne, media relations manager, said Montgomery Ward "dropped all hardware lines entirely and most other home care and lawn and garden lines, but we kept paint and wallcoverings.

(Continued on page 80)

Census data culled from many sources

By an NHCN staff editor

NATIONAL REPORT — Data for this year's census issue was obtained from the individual companies, or estimated by *NHCN* staff when companies would not provide data. In some cases, data was culled from Dun and Bradstreet reports.

Although W.R. Grace owned its subsidiaries and stores until the end of 1986, in this census issue the results of those subsidiaries have been presented as if they operated either as independent companies or as parts of their new owners since the beginning of 1985.

In the case of Wickes Cos., total numbers for the firm have incorporated its acquired subsidiaries from the date they were acquired by the firm. Revenues for the subsidiaries themselves, which appear on the subsidiary chart, have been stated on a full-year basis. As a result, their totals will be higher than the portion of their annual revenues attributed to Wickes.

Numbers indicating averages at the bottom of the Top 150 chart have been calculated giving equal weight to the companies indicated.

For example, the average figure of 24 percent for revenue increases at the top 10 firms was calculated by adding the individual percentages of the top 10 firms, then dividing by 10. This method of calculating the average percentage change provides a useful assessment of the performance of those companies as individual entities.

An alternate method for calculating such an average would be to add all of the revenues together for the 10 firms, then comparing that number with a similar addition of all revenues for those 10 companies in 1985.

The resulting percentage (in this case 19 per cent) would provide a useful assessment of the performance of the indicated companies as a group.

Data on the productivity chart has been presented as if the individual companies operated all of their stores for the full year. Numbers will understate performance for companies that opened stores rapidly through the year or late in the year.

On the same chart, DIY sales per square foot will overstate performance of firms that make a portion of their DIY sales from outdoor lumberyards.

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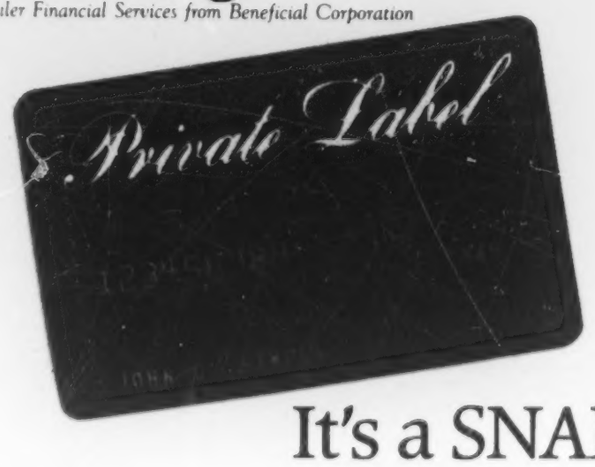

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Perspectives

annual census

Discounters take $10B piece of home improvement pie

(Continued from page 78)

"In general, we want to be competitive in the fields where we have the most strength," Thorne elaborated. "For that reason, we exited some lines in which we felt we could not become a specialist."

At Costco Wholesale Club, Seattle, Wash., Richard Galanti, chief financial officer, said that the company posted sales of $762 million at 22 stores last year, and that between 10 percent and 15 percent of its volume was from home improvement items.

He said Costco "is not cutting back at all" on the sale of home center goods, primarily because it is selling "such a limited number of items. In the items we carry, we compete effectively."

Costco products get 8 percent to 10 percent gross margins, and the chain's pricing philosophy "is not to be undersold," said Galanti. Costco has also agreed to be in shopping center complexes with Lumbermen's and HomeClubs, finding the "site coexistence" to be of benefit to both retailers.

Don Tripp, a senior vp and home improvement and garden center merchandising and operations manager at the Portland, Ore.-based Fred Meyer Inc., said that the company operates 70 of its 94 discount stores with full-line home center departments ranging from 20,000 square feet to 40,000 square feet.

He said all new stores are given the home center departments because "we're very bullish. We're expanding rather contracting. We've very committed to the business. We're devoting more space [square footage]."

At Caldor, Norwalk, Conn., Fred Robson, public relations director, said its 115 outlets devote a minor percentage of their sales floor to home improvement items—including paint, tools, wallpaper and hardware accessories. One source at the company estimated these products to account for about 5 percent of total sales volume of $1.5 billion.

At Zayre, Framingham, Mass., Stanley Berkovitz, vp-consumer affairs, said "there's no question" the retailer's 362 discount department stores "are committed to hardware departments" with an off-price philosophy on name brands such as Stanley.

Berkovitz wouldn't comment about these departments' expansion. But he indicated the company's major thrust in home improvement is in its HomeClub division, which had 28 units at fiscal year-end and is slated to open eight more stores this year.

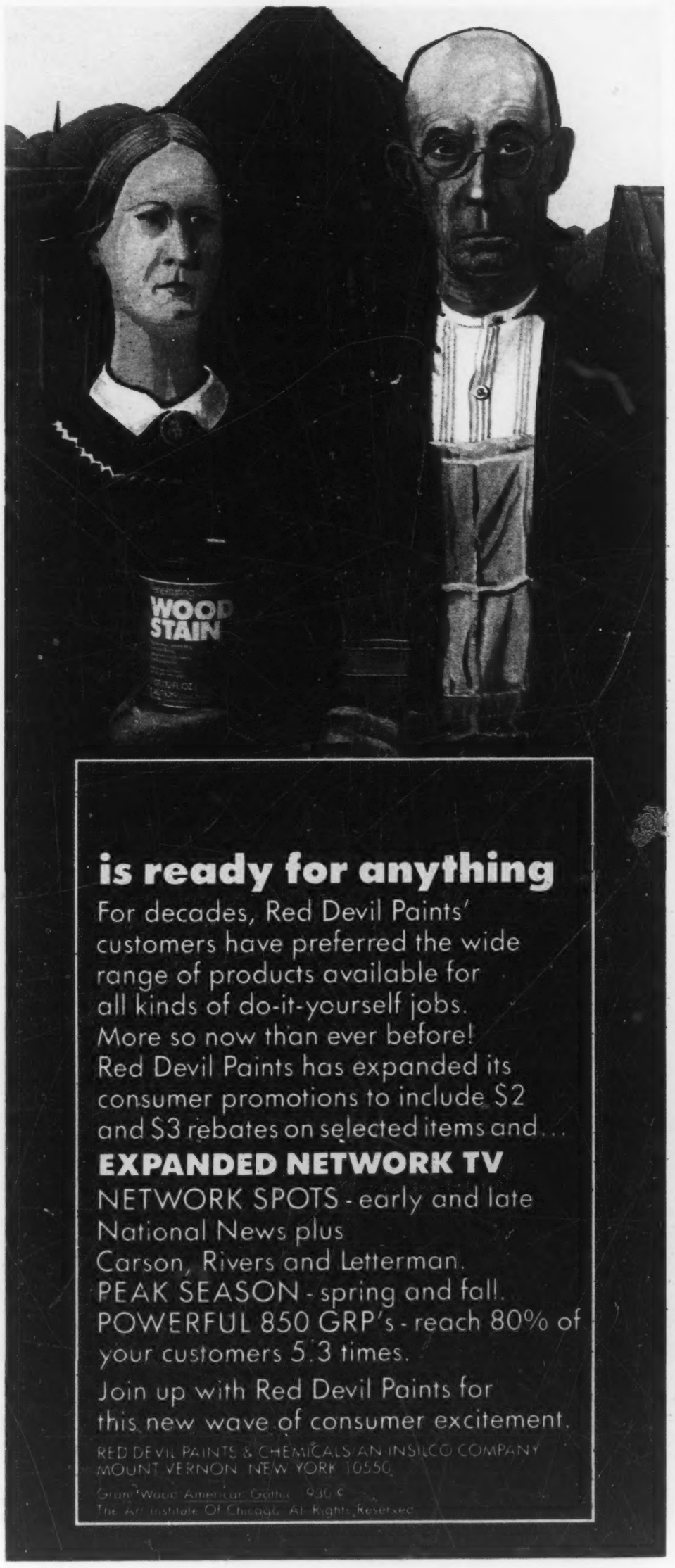
Mass Merchandisers' and Discounters' Slice of the Home Improvement Sales Pie

(12 selected leaders in home improvement sales)

Chain	Total Sales 1986	Home Improvement	Total Stores 1986
Sears, Chicago[1]	$27.01 bil.	$4 bil.	806
K Mart, Troy, Mich.[2]	23.81 bil.	1.5 bil.	2,100
Wal Mart, Bentonville, Ark.[3]	11.9 bil.	320 mil.	980
Zayre, Framingham, Mass.[4]	5.35 bil.	785 mil.	408
Montgomery Ward, Chicago	4.37 bil.	300 mil.	295
Price Co., San Diego	2.59 bil.	259 mil.	25
Bradlees, Braintree, Mass.	1.87 bil.	80 mil.	162
Fred Meyer, Portland, Ore.[5]	1.68 bil.	200 mil.	94
Caldor, Norwalk, Conn.	1.5 bil.	75 mil.	115
Costco, Seattle, Wash.	762 mil.	80 mil.	25
Pace, Denver	602 mil.	60 mil.	25
S.E. Nichols, New York	318 mil.	35 mil.	46

Source: NHCN research and estimates

[1]Sears: Total sales is for Sears' merchandise group, including 32 Sears Paint & Hardware Stores at fiscal year-end.
[2]K mart: Includes 320 Home Care Centers and Builders Square.
[3]Wal-Mart: Store count does not include 49 Sam's Wholesale Club units.
[4]Zayre: Home improvement sales and store count include discount stores, HomeClub and BJ Warehouse Club.
[5]Fred Meyer: Includes 70 home center departments.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Service deemed key to success for independent specialty stores

By an NHCN staff editor

NATIONAL REPORT — When it comes to home improvement sales, "everybody's our competition," said Marvin Berlin, secretary/treasurer of New York Carpet World, Southfield, Mich.

And increasingly, home center retailers are finding that their competition is coming from specialty retailers like Carpet World, and other, mostly small and locally operated stores.

NHCN surveyed a number of specialty chains in selected product categories—flooring, lighting, specialty plumbing, tools, paint and lawn and garden—and found these companies (by no means representing a comprehensive list) produced sales last year exceeding $3 billion.

What gives these dealers an edge in the market is approach to selling. "I believe that service is the key to the success of an independent specialty stores, especially in a market like ours where there's a lot of competition," said Don Cohen, president of Tool King, Denver, a seven-unit retailer that did $6 million in sales last year, 90 percent from DIYers.

Often, these specialty dealers, regardless of their annual sales, operate units as small as 3,000 square feet and as large as 10,000, offering just a few thousand items.

And with the exceptions of the paint and flooring categories, there are really no dominant, national specialty chains.

Color Tile, by far the leader in flooring, tops the list with Sears and New York Carpet World close behind. Combined, they generated more than $1 billion in flooring sales last year, according to *Modern Floor Coverings* magazine.

Despite Color Tile's market position—with 1986 sales of $416 million, 80 percent of it DIY, from 840 4,500-square-foot stores specializing in flooring and wall coverings—the Fort Worth, Texas-based firm still wasn't completely sure who its competition was last year. So it conducted a market study recently that revealed its biggest competitors to be home centers.

Modern Floor Coverings magazine reported that after Color Tile and Sears—with an estimated $306 million in flooring sales last year—New York Carpet World did $280 million in sales from 94 15,000-square-foot units. Seventy percent of the chain's carpeting sales are installed purchases.

The largest paint retailers include Sherwin-Williams, with 1,719 stores, followed by 137-unit Standard Brands Paint and Glidden, with 380 stores. Combined they posted 1986 sales of about $1.7 billion, more than half from Sherwin-

(Continued on page 90)

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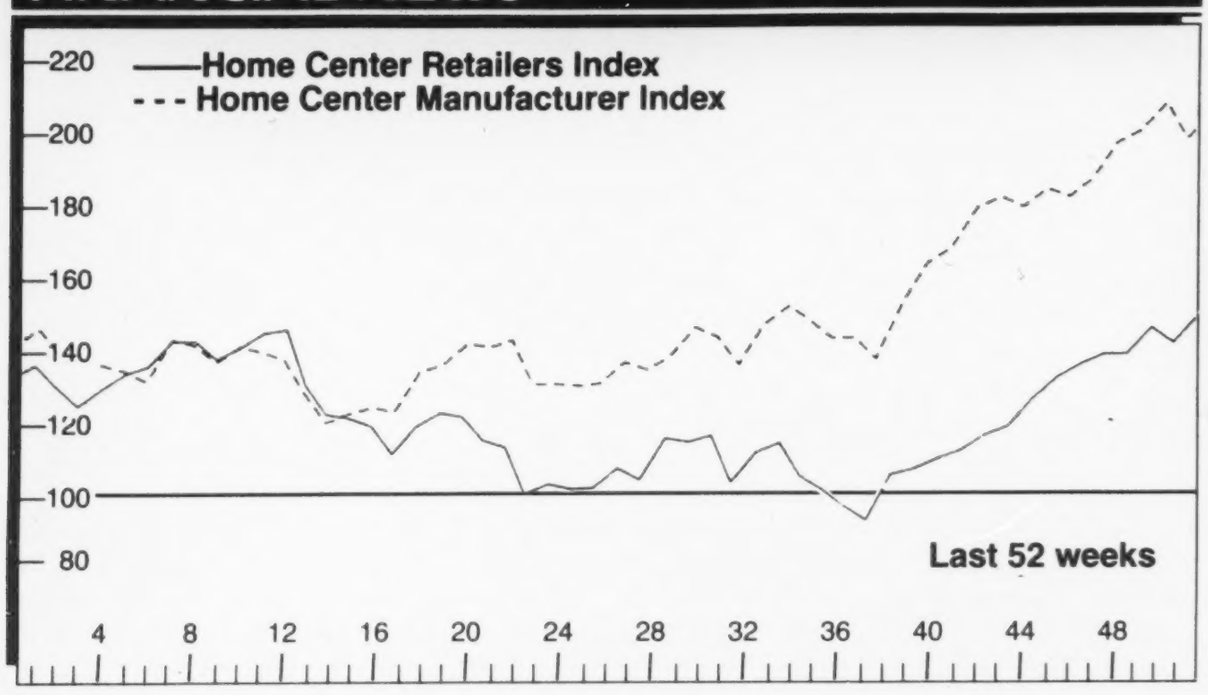
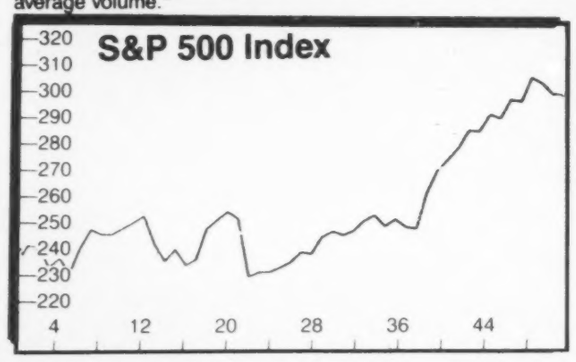


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
4-16-87	(100)	%	%
Macmillan Bloedel ..... M	33,212	206.9	- 4.1
Wickes Cos ..... A	160,860	206.8	- 14.7
Certain-teed ..... N	4,187	198.6	- 8.5
Walter, Jim ..... N	10,499	141.6	- 12.7
Masco Corp ..... N	26,925	133.7	- 13.1
Armstrng Wrld ..... N	12,734	133.6	- 12.1
Pay N Pak ..... N	14,653	130.0	3.1
Georgia-Pacifc ..... N	56,890	128.4	- 7.9
Stanline Inc ..... M	958	126.0	- 19.6
Sears, Roebuck ..... N	113,961	119.4	- 4.6

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 4-16	2-Week Price Change	Total 2-Week Volume
4-16-87	$	%	(100)
Manville Cp ..... N	2.75	15.8	8,627
Owens Corn ..... N	27.00	5.4	19,898
DeSoto Inc ..... N	40.25	3.2	491
Pay N Pak ..... N	20.88	3.1	14,653
Home Depot ..... N	29.25	.9	15,820
Insilco Corp ..... N	23.88	.5	3,830
Mor-Flo Inds ..... M	13.00	.0	43
Am Consum Prods ..... M	10.50	.0	421
SW Forest Ind ..... N	32.13	.0	2,469
Pope & Talbot ..... N	40.38	- .6	3,986
Losers	**$**	**%**	**(100)**
Stanline Inc ..... M	10.25	- 19.6	958
Am Standard ..... N	41.25	- 16.7	5,309
Mich General ..... A	1.38	- 15.4	3,784
Wickes Cos ..... A	3.63	- 14.7	160,860
Masco Corp ..... N	34.75	- 13.1	26,925
Walter, Jim ..... N	51.38	- 12.7	10,499
Armstrng Wrld ..... N	36.38	- 12.1	12,734
USG Corp ..... N	36.88	- 11.7	13,212
Natl Lumber ..... M	5.75	- 11.5	515
Champ Intl ..... N	37.75	- 10.4	43,784

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price 2-Weeks Ended 4-16-87	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
4-16-87	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Forest City Ent ..... A	37.50	- .75	- 2.0	38.50	37.25	39.38	28.75	28	.04	.05	- 20.0	22.9	.30	.8	NEW	fiscal	01-87	39.1	- 51.7	2.5	19.0	.31	14.8	232.8	- 17.2	13.1	129.8	1.64	127.8
Grace W R ..... N	64.75	- 1.50	- 2.3	68.00	60.75	68.00	45.25	31,355	7.55	3.70	104.1	22.0	2.80	4.3	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Grossman's Inc ..... M	10.00	- .25	- 2.4	10.25	9.25	11.25	6.75	3,232	1.62	.76	113.2	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	21.50	- 1.75	- 7.5	23.50	21.00	23.59	16.00	5,191	4.75	3.72	27.7	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	21.50	- 2.25	- 9.5	23.50	21.25	23.75	16.25	709	.43	.40	7.5	23.4	.06	.3	.....	fiscal	01-87	140.3	20.1	8.7	31.8	.28	27.3	588.4	22.8	28.3	22.5	.92	17.9
Home Depot ..... N	29.25	.25	.9	30.38	28.25	30.75	15.75	15,820	5.69	3.36	69.3	32.5	.00	.0	.....	fiscal	01-87	273.9	34.5	7.7	196.2	.27	145.5	1011.5	44.4	23.9	191.5	.90	172.7
INTERCO Inc ..... N	41.50	- 3.63	- 8.0	46.50	41.13	47.63	36.63	10,843	3.81	2.57	48.2	13.3	1.60	3.9	.....	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Cp ..... N	61.25	- 6.50	- 9.6	68.00	59.13	68.00	43.25	54,999	4.13	2.40	72.1	14.1	1.74	2.8	.....	fiscal	01-87	6934.7	2.7	301.4	2770.5	2.11	2244.4	23812.4	6.2	598.7	170.7	4.35	151.4
Lowe's Cos ..... N	29.25	- 2.88	- 8.9	32.50	28.50	41.50	22.50	10,912	2.75	1.38	99.3	20.7	.40	1.4	.....	fiscal	01-87	497.4	4.6	10.0	- 11.5	.25	- 19.4	2283.5	10.2	55.1	- 7.7	1.41	- 14.0
Mich General ..... A	1.38	- .25	- 15.4	1.75	1.38	4.63	1.00	3,784	2.12	1.08	96.3	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	9.00	- .50	- 5.3	9.50	8.75	10.00	5.69	442	3.59	1.67	115.0	21.4	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	5.75	- .75	- 11.5	7.00	5.75	7.50	4.00	515	.91	.93	- 2.2	NE	.00	.0	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	20.88	.63	3.1	20.88	19.75	20.88	9.50	14,653	14.65	6.37	130.0	36.6	.40	1.9	.....	fiscal	02-87	83.2	11.7	.4	- 69.2	.04	- 69.2	398.4	19.4	5.7	- 30.5	.57	- 30.5
Payless Cash ..... N	24.38	- 1.50	- 5.8	26.13	23.50	27.50	15.88	8,466	2.44	1.94	25.8	19.5	.16	.7	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc ..... N	12.88	- 1.25	- 8.8	14.50	12.63	18.13	12.00	1,518	1.05	.77	36.4	15.9	.52	4.0	.....	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck ..... N	51.88	- 2.50	- 4.6	56.00	48.25	56.00	39.00	113,961	3.05	1.39	119.4	14.3	2.00	3.9	NEW	fiscal	12-86	13410.3	7.5	543.0	- 1.7	1.45	- 3.3	44722.1	8.7	1351.3	3.7	3.62	2.5
Svc Merchandise ..... M	6.25	- .38	- 5.7	6.63	5.63	14.75	5.63	18,744	5.63	3.81	47.8	NE	.08	1.3	.....	fiscal	12-86	1114.1	.8	21.9	- 24.7	.66	- 24.1	2527.3	.0	(46.9)	- 109.9	(1.41)	- 100.0
Std Brd Prt ..... N	22.50	- 2.50	- 10.0	26.00	22.13	27.00	19.38	3,639	3.24	2.60	24.6	16.9	.58	2.6	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Supermkts Gen ..... N	41.00	- 3.63	- 8.1	44.13	39.75	45.75	22.50	58,761	15.25	7.17	112.7	25.6	.28	.7	.....	fiscal	01-87	1434.5	5.8	19.1	- 11.6	.50	- 16.7	5507.9	7.5	60.9	- 4.4	1.60	- 10.1
Wickes Cos ..... A	3.63	- .63	- 14.7	4.38	3.50	6.63	3.25	160,860	6.78	2.21	206.8	12.9	.00	.0	.....	fiscal	01-87	1408.3	NC	4.4	- 79.0	(.02)	- 100.0	4770.0	70.0	73.9	81.6	.28	154.5
Wolohan Lumber ..... M	12.38	- .63	- 4.8	12.88	11.88	13.25	7.50	2,795	4.77	2.47	93.1	13.8	.20	1.6	.....	fiscal	12-86	52.5	40.4	1.7	30.8	.29	31.8	194.4	29.0	5.3	51.4	.90	50.0
Zayre Corp ..... N	25.88	- 2.50	- 8.8	29.13	24.88	43.88	20.75	22,402	3.80	2.77	37.2	16.7	.40	1.5	.....	fiscal	01-87	1777.0	32.4	43.8	20.3	.73	17.7	5350.6	32.6	92.4	- 2.3	1.55	- 4.3
Wholesalers																													
Moore Handley ..... M	9.00	- .25	- 2.7	9.75	8.75	19.25	6.75	109	.43	1.20	- 64.2	17.6	.00	.0	.....	fiscal	12-86	20.7	19.7	.2	.0	.07	- 36.4	85.1	23.0	1.2	71.4	.51	13.3
Lewis Palmer ..... M	9.38	- .50	- 5.1	9.63	9.13	9.88	7.25	1,698	4.33	2.78	55.8	28.4	.28	3.0	.....	fiscal	01-87	46.8	53.9	.1	.0	.02	100.0	187.2	33.0	1.3	44.4	.33	43.5
Stanline Inc ..... M	10.25	- 2.50	- 19.6	11.38	10.25	12.75	7.84	958	5.65	2.50	126.0	10.6	.32b	3.1	.....	3 mos.	01-87	14.0	4.5	.3	.0	.20	33.3	14.0	4.5	.3	.0	.20	33.3
Manufacturers																													
Allegheny Int ..... N	24.25	- .38	- 1.5	24.75	24.25	24.75	11.38	6,575	6.11	8.76	- 30.3	NE	.00	.0	.....	fiscal	12-86	NC	NC	(164.6)	NE	(13.20)	NE	1327.1	- 35.5	(164.0)	NE	(15.24)	NE
Am Consum Prods ..... M	10.50	.00	.0	10.50	10.00	10.50	8.50	421	2.19	1.97	11.2	19.4	.00	.0	.....	fiscal	12-86	9.2	13.6	.2	100.0	(.01)	- 100.0	35.0	12.9	.7	133.3	.54	68.8
Am Standard ..... N	41.25	- 8.25	- 16.7	49.88	39.38	51.88	36.00	5,309	1.59	1.26	26.2	7.8	1.60	3.9	.....	fiscal	12-86	769.7	- .6	33.0	- 9.1	.99	7.6	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark ..... M	15.75	- .75	- 4.5	17.00	15.75	17.13	10.00	338	.49	.85	- 42.4	15.4	.00	.0	.....	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrng Wrld ..... N	36.38	- 5.00	- 12.1	41.88	33.25	44.00	24.88	12,734	2.64	1.13	133.6	14.3	.84	2.3	.....	fiscal	12-86	496.4	16.5	30.1	33.2	.63	34.0	1920.3	14.4	122.4	21.3	2.54	21.0
Black & Decker ..... N	19.38	- .38	- 1.9	20.38	18.50	25.25	14.50	26,020	4.48	2.87	56.1	42.1	.40	2.1	.....	3 mos.	12-86	529.0	1.4	22.4	7.2	.38	- 7.3	529.0	1.4	22.4	7.2	.38	- 7.3
Boise Cascade ..... N	76.75	- 7.50	- 8.9	86.88	75.00	86.88	51.50	11,958	4.10	2.67	53.6	23.1	1.90	2.5	.....	fiscal	12-86	952.0	6.6	31.9	67.9	1.04	70.5	3740.0	.1	101.5	- 2.7	3.32	- 3.8
Certain-teed ..... N	35.00	- 3.25	- 8.5	38.88	35.00	38.88	24.63	4,187	2.21	.74	198.6	10.8	.90	2.6	NEW	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl ..... N	37.75	- 4.38	- 10.4	43.50	36.75	43.50	22.50	43,784	4.65	2.71	71.6	18.1	.64	1.7	.....	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc ..... N	40.25	1.25	3.2	40.25	38.75	43.75	34.25	491	1.02	.63	61.9	49.1	1.40	3.5	.....	fiscal	12-86	77.8	3.0	.4	- 86.2	.09	- 85.0	413.8	2.0	3.9	- 72.5	.82	- 72.4
Emhart Corp ..... N	39.00	- 1.63	- 4.0	40.63	37.38	43.25	30.75	5,976	1.93	.88	119.3	NE	1.40	3.6	.....	fiscal	12-86	583.9	20.4	23.4	16.4	.66	- 9.6	2094.0	17.9	(10.0)	- 100.0	(.32)	- 100.0
Georgia-Pacific ..... N	46.75	- 4.00	- 7.9	52.38	44.25	52.75	28.00	56,890	5.30	2.32	128.4	14.8	1.00	2.1	NEW	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Insilco Corp ..... N	23.88	.13	.5	23.88	23.00	26.25	17.38	3,830	1.84	1.98	- 7.1	15.1	1.00b	4.2	.....	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
La Pacific ..... N	35.75	- 2.63	- 6.8	39.63	34.13	39.63	22.09	14,038	3.70	2.71	36.5	20.2	.80b	2.2	.....	fiscal	12-86	382.2	22.3	16.8	147.1	.45	150.0	1506.2	19.5	64.9	154.5	1.72	152.9
Macmillan Bloedel ..... M	20.38	- .88	- 4.1	22.38	19.25	22.38	7.16	33,212	3.56	1.16	206.9	NA	.42	NA	.....	fiscal	12-86	542.2	- 9.9	23.3	14.2	.16	6.7	2511.7	7.5	133.3	210.7	1.07	494.4
Manville Cp ..... N	2.75	.38	15.8	2.75	2.38	7.38	1.63	8,627	3.59	2.75	30.5	1.2	.00	.0	.....	fiscal	12-86	463.1	- 2.4	17.3	- 17.2	.46	- 24.6	1920.3	2.1	81.2	NE	2.34	NE
Masco Corp ..... N	34.75	- 5.25	- 13.1	40.63	32.00	40.88	23.50	26,925	2.08	.89	133.7	22.3	.36	1.0	.....	fiscal	12-86	450.0	- 36.2	55.4	- 60.8	.41	- 42.3	1452.0	25.8	203.4	23.6	1.56	21.9
Mor-Flo Inds ..... M	13.00	.00	.0	13.50	13.00	17.88	12.00	43	.17	.22	- 22.7	40.6	.01	.1	.....	fiscal	12-86	47.3	- 10.4	(1.0)	- 100.0	(.38)	- 100.0	195.2	- 5.2	.8	- 81.0	.32	- 80.6
Newell Co ..... N	36.38	- .63	- 1.7	39.75	35.50	39.75	24.00	1,853	1.62	.86	88.4	16.8	.84	2.3	.....	fiscal	12-86	105.5	9.2	7.4	34.5	.63	3.3	401.4	14.7	24.0	27.0	2.17	3.8
Owens Corn ..... N	27.00	1.38	5.4	27.75	23.75	30.88	8.88	19,898	5.31	4.94	7.5	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	15.50	- 1.38	- 8.1	17.13	14.75	18.13	10.00	1,917	2.39	1.75	36.6	16.8	.12	.8	.....	fiscal	12-86	57.5	32.2	2.1	90.9	.20	33.3	226.4	36.0	8.1	92.9	.92	39.4
Pope & Talbot ..... N	40.38	- .25	- .6	43.25	38.50	43.50	17.75	3,986	6.64	3.31	100.6	15.4	.88	2.2	.....	fiscal	12-86	81.9	9.3	8.4	1300.0	1.40	1300.0	310.2	- 4.6	15.8	135.8	2.63	136.9
Potlatch Cp ..... N	76.00	- 5.50	- 6.7	81.75	72.25	83.75	44.50	2,594	1.95	1.16	68.1	15.3	1.68	2.2	.....	fiscal	12-86	243.3	7.0	20.2	359.1	1.45	457.7	976.4	2.7	70.0	85.7	4.98	127.4
Sherwin-Wms ..... N	34.88	- 2.00	- 5.4	37.50	32.00	38.50	22.75	10,412	2.31	1.19	94.1	15.1	.56	1.6	.....	fiscal	12-86	350.5	- 32.3	29.2	158.4	.80	233.3	1552.9	- 29.2	106.0	42.1	2.31	42.6
SW Forest Ind ..... N	32.13	.00	.0	32.25	32.00	32.25	11.88	2,469	2.01	8.12	- 75.2	NE	.00	.0	.....	fiscal	12-86	169.9	.4	5.7	NE	.57	NE	631.5	- 9.8	(1.7)	NE	(.62)	NE
Stanley Works ..... N	31.00	- 3.13	- 9.2	35.38	28.00	35.38	23.19	6,110	1.47	1.17	25.6	16.7	.76	2.5	.....	fiscal	12-86	256.2	- 20.5	23.5	- 8.6	.54	- 12.9	1371.3	13.5	78.8	.6	1.86	- 2.1
Thos Inds ..... N	20.63	- 1.00	- 4.6	22.00	20.00	22.63	15.50	1,213	1.22	.65	87.7	16.0	.68b	3.3	.....	fiscal	12-86	75.6	- 2.6	3.2	- 23.8	.32	- 23.8	296.2	- 4.3	12.8	- 21.0	1.29	- 21.8
USG Corp ..... N	36.88	- 4.88	- 11.7	42.50	36.75	46.50	32.00	13,212	2.08	1.12	85.7	10.4	1.12	3.0	NEW	fiscal	12-86	695.1	9.4	56.5	4.8	.93	13.4	2723.7	7.8	225.5	.8	3.54	5.4
Walter, Jim ..... N	51.38	- 7.50	- 12.7	59.88	49.63	62.25	39.50	10,499	3.31	1.37	141.6	9.8	1.40	2.7	.....	6 mos.	02-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Waxman Ind ..... M	10.13	- .75	- 6.9	11.25	10.13	13.25	6.34	1,173	1.86	1.90	- 2.1	12.7	.08	.8	.....	6 mos.	12-86	27.0	15.9	.8	60.0	.01	- 94.1	53.7	19.9	1.6	45.5	.25	- 28.6
Weyerhaeuser ..... N	56.00	- .50	- .9	60.00	53.50	60.00	30.50	45,075	3.45	2.12	62.7	29.3	1.30	2.3	.....	fiscal	12-86	1450.6	17.2	96.1	51.1	.70	62.8	5652.0	8.6	276.7	38.3	1.91	44.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National
Home Center News ®

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G-P proposes U.S. Plywood acquisition

By an NHCN staff editor

ATLANTA — Georgia-Pacific's board of directors has approved a proposal to buy U.S. Plywood, the Stamford, Conn.-based forest products producer and distributor.

The board's proposal called for acquiring U.S. Plywood's preferred and common stock for $215 million in cash.

Jack Armstrong, executive vp at U.S. Plywood, declined to discuss the deal, arguing that negotiations were still in their early stages.

G-P also declined to outline how U.S. Plywood would be incorporated into the operation. But Gail Smith, a corporate spokesperson for the nation's second largest forest products producer, said G-P was primarily attracted to U.S. Plywood's industrial wood product operations and

(Continued on page 76)

Census II shows wholesale co-op's sales up 11.4%

The data collected by *NHCN* reveals that:

- The top 17 wholesale co-ops saw sales increase 11.4 percent to $7.365 billion. Stores they distribute to declined by 16 to 25,355.
- California, Texas and Florida will rank first, second and third in the retail sale of building materials in 1987. California total is projected at $10 billion, and Los Angeles-Long Beach will lead the nation with building materials sales that exceed 36 states.
- The 14 leading commodities wholesalers had sales of $10.2 billion from 484 warehouses last year.
- Home remodeling grew by 15.9 percent to $92.9 billion last year and should grow another 11 percent to $102 billion in 1987.
- Structural panel production grew 5 percent to more than 25 billion board feet.

Diamond gets $18M cash infusion after filing Ch. 11

By Laura Liebeck
NHCN staff editor

CARROLLTON, Tex. — Six days after Diamond Lumber filed for Chapter 11 protection from its creditors, the company got a cash infusion of $18 million from its major lender, CIT Business Credit, providing the 66-unit chain with enough money to order merchandise and pay cash before delivery.

Diamond and its parent company Michigan General Corporation (MGC) sought protection from its creditors in U.S. Bankruptcy Court for the Northern District of Texas on April 22, approximately one week after CIT refused to lend the company any more money. It was at that time that many of Diamond's creditors ceased shipping product.

"We're back in business," said an optimistic Jerold Grubstein, president and ceo of MGC who was recently brought on board from Zale Corporation. He said Diamond is now paying its vendors for newly ordered merchandise "in varying ways" including terms, cash on delivery and cash before delivery.

Diamond owes $55.5 million in secured debt to CIT, a division of Manufacturers Hanover Trust, $45 million of which is in revolving credit.

Over the next two months, Diamond

(Continued on page 76)

Diamond Lumber's 20 Largest Unsecured Trade Creditors

As of April 16, 1987

Company Name	Amount of Claim
Weyerhaeuser*	$705,639.71
Georgia-Pacific*	374,089.10
I.C.L.*	292,265.05
Lozier Store Fixtures*	261,988.93
CertainTeed*	197,676.17
Marsh & McClennan*	189,098.92
Hartronic Taiwan	169,755.86
Dennis Jamieson	169,755.86
Portbec Forest Products Ltd.	151,627.30
Makita U.S.A.	146,738.64
Jack Post	144,647.85
Sherwood Lumber	141,966.11
Peterson Howell & Heather	135,328.23
Circle "M" Wood Treating	126,664.55
Macklanburg-Duncan	122,365.08
GAF	113,632.31
Triangle Engineering	111,121.99
Jewett Cameron Lumber	106,158.69
Saxonville Wholesale	97,007.00
Pacific Steel & Supply	93,284.57
Other Unsecured Debt	
RepublicBank, Dallas*	$114,444,375.00
Chemical Bank, New York*	1,200,000.00

*member of creditor's committee

Source: Diamond Lumber's Voluntary Petition Under Chapter 11. April 20, 1987; *NHCN* chart

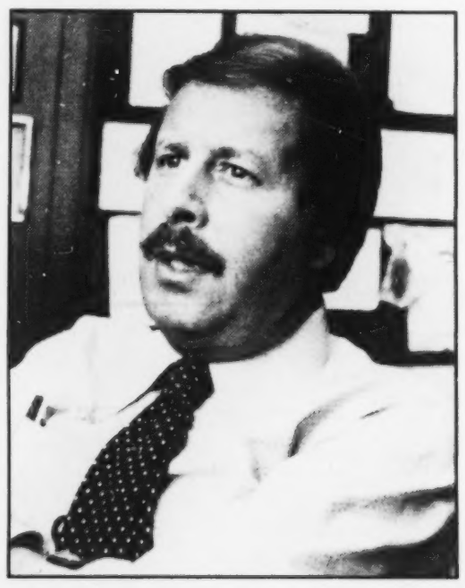
Rickel pres. one of six in mgmt. LBO

By Milford Prewitt
NHCN staff editor

WOODBRIDGE, N.J. — Chuck Davis, president and ceo of Rickel Home Centers, is one of the six partners in a management investor group that will buy Rickel's parent, Supermarkets General Corporation (SGC), through a leveraged buyout.

According to tender offer documents filed with the Securities and Exchange Commission (SEC), Davis and five senior executives of SGC are backed by Merrill Lynch Capital Partners in a $1.5 billion bid to buy the Woodbridge,

(Continued on page 75)



Chuck Davis, president and ceo of Rickel Home Centers. NHCN photo

Dealers check out high-profit impulse items

By Ariane Sains
Special to NHCN

From gum and screwdrivers to batteries and gardening supplies, home centers are discovering the importance of selling impulse items at the checkout counter.

"That's the only way to increase sales," says Robert Sanchez, vp-purchasing for Hacienda Home Centers Inc.

The six-unit, New Mexico-based Hacienda plans to increase impulse items storewide a whopping 80 percent this year. The majority of that merchandise will displayed at the cash registers.

This kind of increase in impulse merchandise may seem extreme to some, but it is indicative of how the marketing of these items has evolved in recent years.

Cash register impulse items vary as widely as the stores that sell them, and what works for one retailer does not necessarily work for another.

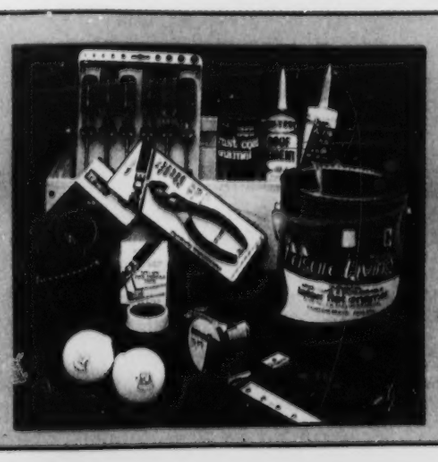
But certain staple impulse items include batteries, tapes, light bulbs and seasonal items like small gardening supplies at this time of year.

Some retailers cross merchandise register impulse items, offering them in the aisles as well. Others say

(Continued on page 76)

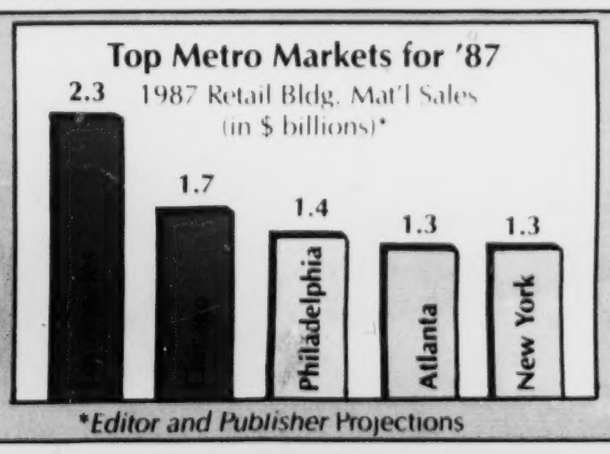
Six-unit, New Mexico-based Hacienda Home Centers plans to increase its selection of impulse items 80 percent storewide. Pictured is the Las Vegas, N.M., unit. NHCN photo

INSIDE



The *NHCN* Annual Report on the Home Center Industry Part Two

The top five markets for retail building materials sales, led by the Los Angeles-Long Beach area, will generate $8 billion in 1987, or about 9 percent of the $90 billion nationwide total. LA's sales could exceed those of 36 states.



NEWSBREAKS

BIG B&B: Eclipse Industries opened its largest B&B Home Center in late April, a 60,000-square-foot unit in St. Ann, Mo.

COTTER ANNOUNCES THIRD MARKET IN FLA.: The nation's largest co-op will hold its first buyers' market specifically for its lumber and building material dealers in January 1988.

STAMBAUGH-THOMPSON OPENS 21ST STORE: The Youngstown, Ohio, chain opened the 55,000-square-foot unit on May 5, in Boardman, Ohio.

INDUSTRY UPDATE

Smart house to debut in April

BOWIE, Md. — Early next month the first laboratory smart house will be completed, the National Association of Home Builders (NAHB) announced last month.

Construction of the gas smart house began on April 14 here, co-sponsored by the Gas Research Institute of Chicago, the NAHB and smart house Development Venture, Inc. (SHDVI).

Smart house is a system for residential wiring that distributes power, signal information and data communication through a single cable.

Price-Pfister offers public stock

PACOIMA, Calif. — Price-Pfister, a faucet manufacturer here, plans to offer two million shares of its common stock for public sale, with the intention of raising $30 million.

This stock offering would represent 18 percent of the total number of shares Price-Pfister intends to issue, with the remaining 82 percent to be retained by present shareholders.

Builders Sq. death an accident

WHEATON, Ill. — A coroner's jury ruled the death of a 23-month-old boy at a Builders Square in Aurora, Ill., an accident.

A spokeswoman for the DuPage County (Ill.) Coroner's Office in Wheaton, Ill., said a six-person jury ruled April 30 that the child, Alex Grabenhofer of Wheaton, died March 7 of traumatic spinal cord/brain stem injuries.

The spokeswoman said the inquest determined a six to seven-inch-high row of 2 x 4 boards fell over, hitting the child's legs and causing him to fall forward. The fall caused Grabenhofer's chin to hit the floor, snapped his neck back and caused the fatal injuries.

Aurora police classified the death as accidental. The boy's father, Frank Grabenhofer, said he planned no further action.

Nortek acquires Bradford-White

PROVIDENCE, R.I. — Nortek, a diversified Fortune 500 company, acquired Bradford-White, a manufacturer of gas and electric water heaters, on May 5 for more than $25 million.

Nortek spokesman Kenneth L. Donoghue said Bradford-White, headquartered in Philadelphia, will operate as a wholly owned subsidiary of the Providence-based company. Bradford-White's management team will remain in place, he added.

Bradford-White posted 1986 sales of nearly $100 million. Nortek, recorded 1986 sales of $963 million.

Canadian show changes name

TORONTO — The Canadian Hardware, Housewares & Home Improvement Show has changed its name and logo, and will undergo a major facelift, said Tom Ross, executive director.

Spokesperson Dianne Warnick said that the most obvious change will be a cosmetic facelifting from the graphics on printed material to the registration area in the front lobby.

In addition, there is a new logo and a broad schedule of improvements, said Ross.

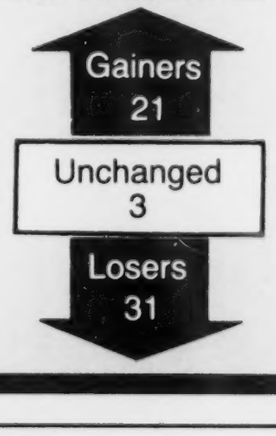
Home center stocks slip

NEW YORK — Home center stocks slipped in the two-week period ended May 1, as the prices for 31 companies declined, 21 increased in value and three remained unchanged.

Michigan General showed the biggest drop of 18.2 percent, following its filing for Chapter 11 in late April. Among retailers, Wickes' and Lowe's stock fell 10.3 percent.

CertainTeed and Black & Decker were big gainers, as was Supermarkets General after news of a leveraged buyout by key management.

See financial tables, page 74.



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Pittsburgh bldg. materials chain purchases 11 specialty retailers

By an NHCN staff editor

VERONA, Pa. — Fagen's, the chain of 12 building materials stores in the Pittsburgh area, purchased eight Color Your World and three Peerless Wallpaper stores from Color Tile on April 28, for an undisclosed amount.

"We're attempting to diversify into more specialty retailing," explained Jack Fagen, president of the acquiring firm. "We see it as a growth opportunity."

Fagen's 1986 revenues came to $42 million, some 35 percent of which was from consumer transactions.

The new units, all in the Pittsburgh market, are expected to add $6 million to Fagen's annual revenues.

The new stores will be operated as a subsidiary company. Joseph Rieherd, formerly divisional manager for the Eastern region at Color Your World, will be president and chief operating officer of the new company, the name for which has not yet been determined.

Fagen will serve as chairman of the board and chief executive officer of the new firm.

Whether all of the stores will operate under their current names, or under new names, has not yet been determined.

Acquisitions likely

Fagen emphasized his company would continue to operate its 12 building materials outlets, and also noted that he may well make some "substantial" acquisitions in that area over the coming year. Such acquisitions are not likely be in the Pittsburgh market, however.

Fagen also said he wanted to expand the specialty store segment of his operations, and that over the next year he would likely add four or five stores to that group.

Merchandise in the newly acquired units will be expanded to include departments for such items as window blinds, window treatments and closet shelving, said Fagen.

None of the merchandise categories in the new stores will be added to the old Fagen's units.

Lloyd hopes to rebound from 2-yr. loss

By an NHCN staff editor

DANBURY, Conn. — Eroding gross margins and too much emphasis on low-margin merchandise last year contributed to an operating loss of $5.6 million at Lloyd Home and Building Centers, according to two company executives and the 1986 annual report of Amercian Maize-Products Co., Lloyd's parent firm.

The 1986 operating loss nearly doubled the $2.872 million loss recorded in 1985. But while income declined, sales rose 5 percent to $105.3 million in 1986, reported American Maize, Stamford, Conn.

Last year was the third consecutive year of operating losses for Lloyd, the 34-unit home center retailer headquartered here.

Despite the losses, both Lloyd president Tom Cawley and Alan Edly, vp-finance for American Maize, are optimistic about sales and profits for 1987.

As far as Cawley—who became president last February—is concerned, "1986 is over. Now we're right on budget right down to the bottom line."

Edly told *NHCN* that American Maize is confident Lloyd "can be turned around." He added that it is "very possible" Lloyd will be profitable this year. "It can do better," he said.

He declined to say whether Lloyd can get into the "black" this year. And Edly said American Maize has not given Lloyd executives a timetable in which to become profitable.

Edly did say that both he and American Maize executives are confident in Cawley's business acumen and in the entire management team now running the Lloyd operation.

Profitable 2 out of last 7 yrs.

American Maize acquired Lloyd in August 1979, a profitable year for the home improvement retailer. Since then, Lloyd has had only two other profitable years, 1980 and 1983, Edly reported.

Lloyd also has had several different presidents and operating strategies.

Lloyd, known at American Maize as the company's building materials division, comprised 20.66 percent of the parent's net sales last year. American's largest segment, corn processing, amounted to 57.7 percent of total sales. Another 21.66 percent came from tobacco.

Between 1985 and 1986 gross margins declined and operating expenses increased at Lloyd. In addition, the company had what it called an "adverse product mix," or too much merchandise in low margin items such as building materials, Cawley said.

(Continued on page 75)

Filing shows Handy Andy paid $48M for Forest City

By an NHCN staff editor

CLEVELAND — Handy Andy is paying over $47.8 million for the assets of the retail division of Forest City Enterprises, according to documents filed last month with the SEC.

The total price included $10 million in cash and $18.8 million in promissory notes for the inventory of all 18 stores and all three warehouses. An additional $7 million to $10 million will be paid for the inventory after a final assessment has been made.

The warehouses are located in Kent and Macedonia, Ohio, and Windsor, Ontario.

Handy Andy has also delivered a note in the amount of $12 million for the fixtures and equipment of the stores.

Handy Andy does not plan to purchase any of the land or buildings of the stores or warehouses.

Forest City is leasing 17 of the stores to Handy Andy. The 18th store, a unit in Cleveland, will be managed by Handy Andy.

The retail division had revenues of $119.8 million for the nine months ended Oct. 31, 1986. Operating income of $1.1 million and net income of $600,000 were achieved for that period, according to the documents.

The Forest City retail stores have had a history of struggling to achieve a level of profitability comparable with other home center chains. Net earnings have been running at less than one percent of sales.

In 1985, for example, the retail chain achieved $1.4 million in operating income on revenues of $159.3 million, according to the new SEC document.

Forest City Retail At A Glance
(9 Months Ended 10/31/86)
($ Million)

Sales	$119.8
Interest income	1.9
Total Income	121.6
Cost of goods sold (Gross margin: 30.3%)	83.5
SG&A	35.8
Interest expense	1.2
Total expense	120.5
Earnings from continuing operations	1.1
Income tax	0.6
Net income	0.6

Numbers do not add due to rounding.

Source: SEC — *NHCN* chart

For the first nine months of 1986, Forest City's retail stores earned $1.1 million in pre-tax income on revenues of $121.6 million.

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Six openings in one day make 'history'

New stores entrench Aco in Michigan market

Aco chairman Ted Traskos at one of the six grand openings. The firm plans to open nine more units in 1988. NHCN photo.

By Gary S. Ruderman
NHCN staff editor

FARMINGTON HILLS, Mich. — Aco Hardware, the 53-unit privately-owned Michigan chain, made industry history last month by opening six stores simultaneously.

The April 23 grand openings in Redford, Clio, Port Huron, Inkster and two units in Battle Creek, Mich., are part of Aco's ongoing plan to grow 15 percent a year. The openings boosted the store count to 59, up from 47 units last year. By the end of 1987, Aco should have 62 stores. The firm anticipates opening nine more units in 1988, according to William Aiken, ceo and vice chairman.

New warehouse, stock plan

Aco chairman and founder Theodore N. Traskos said National Retail Hardware Association (NRHA) officials informed him it was the most grand openings of a hardware chain in one day. The stores had soft openings a few weeks earlier, Traskos said.

In addition to the openings, Aco officials:

- Broke ground April 21 in Farmington Hills, Mich., for a $2.5 million, 45,000-square-foot distribution center. Scheduled for completion by year end, the new warehouse will boost to 18 from 10 the number of loading docks and increase Aco's warehousing space to more than 170,000-square-feet at its suburban Detroit headquarters;
- Announced the chain's most extensive ad campaign. Aco will spend an estimated $1.5 million in co-op and internal funds for 10 weeks of print, TV, radio, billboard and expanded circular ads, including a $40,000 sweepstakes;
- Caught employees off-guard with announcement of the first employee stock ownership plan in the company's 39-year history.

Aco's strategy in the Detroit and 14 other Michigan communities is to blanket the areas with 15,000-square-foot anchor stores and 8,000-square-foot to 10,000-square-foot fill-in units, with both stores stocking 18,000 items.

Narrowing price gap

The stores bring in between $1.5 million and $3 million a year, a spokesman said.

Aco's posture is one of convenience, meeting or beating nearby home center and hardware prices on a range of hardware, paint, tools, plumbing, electrical, auto, lawn and garden and housewares products.

"We're narrowing the gap between everyday pricing and promotional pricing," said Dennis Da Pra, vp-merchandising, "without affecting margins," which last year averaged 37 percent, senior officials said.

Last year Aco posted $82 million in sales with net profit of $1.7 million, slightly less than the $90 million in sales

(Continued on page 76)

U.S.' 100 millionth home is 'somewhere in South'

By Laura Liebeck
NHCN staff editor

NATIONAL REPORT — As of March 31, the nation had 100 million houses. Sort of. And the 100 millionth house was built in the South. Maybe.

According to the Commerce Department, the 100 millionth housing unit was built somewhere in the southern U.S. sometime during the first quarter of the year. The South is the likely location because of the region's large population increases.

Exactly when the unit was built and where it is are guesses, admits Jack Devaney, senior analyst with the Commerce Department's housing division. He explained that sometime last year the department realized that the country would record its 100 millionth housing unit early in 1987.

The calculation of when homes went up dates from 1790, when Devaney estimates there were 700,000 homes in the U.S. The department said the 25 million milestone was reached in 1917, 50 million in 1953 and 75 million in 1973.

Following the pattern established from 1973 to 1987, the 200 millionth housing unit should be built in 2043. But that's only a guess, Devaney said.

The unofficial, estimated value of the 100 million housing units is between $5 trillion and $6 trillion.

To commemorate, the National Association of Home Builders (NAHB) somewhat arbitrarily designated the 100 millionth home to be a three-bedroom in suburban Atlanta.

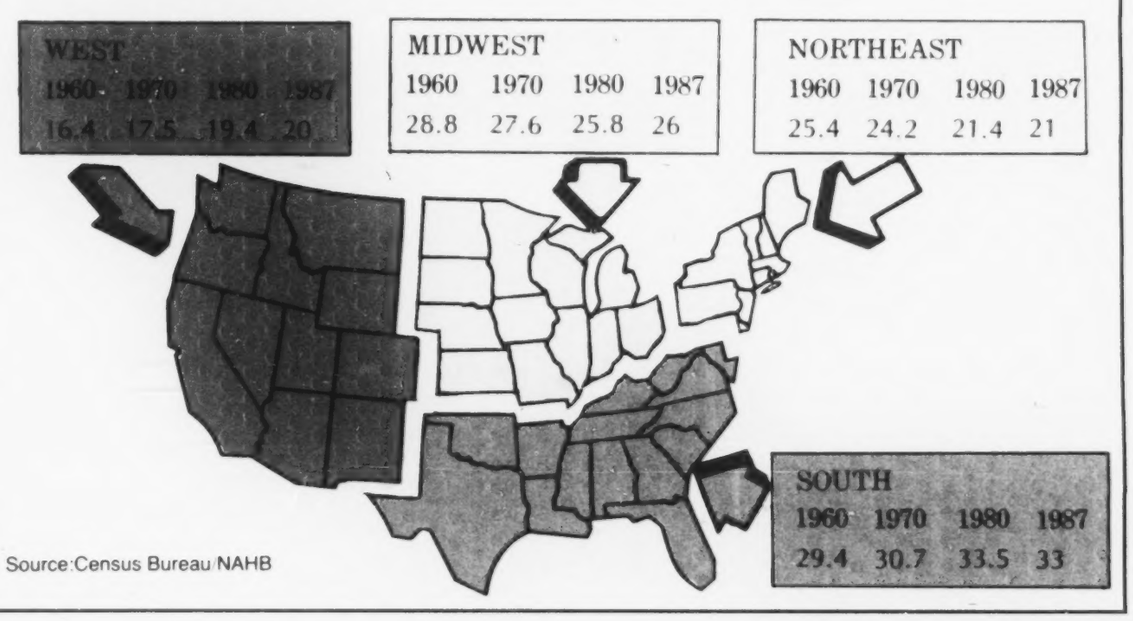
The 1,850-square-foot ranch in Lawrenceville, Ga. was purchased by Bryan and Deborah Campbell, trade-up buyers in their late 20's, for $98,000, $1,700 more than the market's median-priced new home in Feb.

Campbell is a trucking manager. He and his wife have an 18-month-old daughter, Sara. The Campbells closed on the house March 31, and will be making monthly mortgage payments of $871.

When the Campbells learned that their new house was destined for posterity, "we just looked at each other and laughed," said Deborah. When she was contacted by *NHCN*, photographers from Whirlpool were shooting their kitchen.

Where the homes are

Map shows where percentage of all homes in U.S. were located in 1960, 1970 and 1980. Figures for 1987 are first-quarter projections



Euro/American hybrids make waves at K&B show

By Phillip Perry
NHCN staff editor

ATLANTA — Retailers attending the recent Kitchen and Bath Conference at the World Congress Center have become accustomed to seeing European styles make headway in both categories

New this year was the attempt by many American vendors to show hybrids of American and European styles.

"We're seeing European appointments with American cabinetry," noted William Plotkin, president of Fairfield Lumber, a $40 million retailer in Fairfield, Conn.

Perhaps the most dramatic evidence of this trend was seen at the SieMatic Corp. booth. The cabinetmaker displayed particleboard cabinets with traditional raised panels, covered with European-style white, high-gloss finish.

Other vendors were making similar moves, apparently wooing a public that desires the traditional look for sentimental reasons, but also wants the Euro style to show a higher standard of living.

Wilsonart, a maker of laminated products, displayed a variety of sleek European designs for the first time. Booth signs promoted "Eur-Own-Style," an indication that the Euro look has come home.

Kohler introduced new pastel colors and European-style sinks with faucets that Americans are accustomed to. J-Wood, a cabinetmaker, displayed European sinks with traditional cabinets.

Not all vendors jumped on the bandwagon. Merrillat showed a traditional cherry, raised panel cabinet for the first time and had no displays combining the two styles.

An estimated 23,000 to 25,000 attended the show, down from 28,000 last year. Last year's show was held in Philadelphia and attracted many drive-in retailers.

The show drew more home center people than ever, a reflection of the importance home centers place on K&B.

Bruce Feinstein, vp merchandising of Eclipse Industries in St. Louis, walked the floor. The trend to combine styles might help Eclipse, since mid-America has not fully accepted the sleek styles.

"There's still some resistance to the contemporary look in our markets," he said.

In April Eclipse opened a 60,000-square-foot store near St. Louis. Four of 26 kitchen displays were contemporary.

Francis Jones, executive director of the National Kitchen and Bath Assoc., said his group will sponsor a series of shows for consumers. The pilot "Great American Kitchen & Bath Show," is scheduled for the Cleveland Convention Center Sept. 18-20. The NKBA will give booklets to retailers who want to host shows in smaller markets.

Corrections

A story in the May 4 issue incorrectly stated the store count for Franks Nursery and Crafts. The company has 167 stores of which 26 are Flower Time units.

In the May 4 issue the story on Pergament's refurbished Bethpage, N.Y., store stated Oriental rugs were in the paint department. The Oriental rugs are part of a greatly expanded flooring department located adjacent to paint.

An article in the April 20 issue incorrectly stated that only three product categories would be represented at the housewares show next January. The show will include three categories per hall, or all six product categories.

Strong advertising, warm spring spur L&G sales

By an NHCN staff editor

NATIONAL REPORT — Warm weather and aggressive advertising combined to create strong spring sales of lawn and garden products, according to home center dealers across the country.

Most said sales have increased between 10 and 20 percent compared to last year.

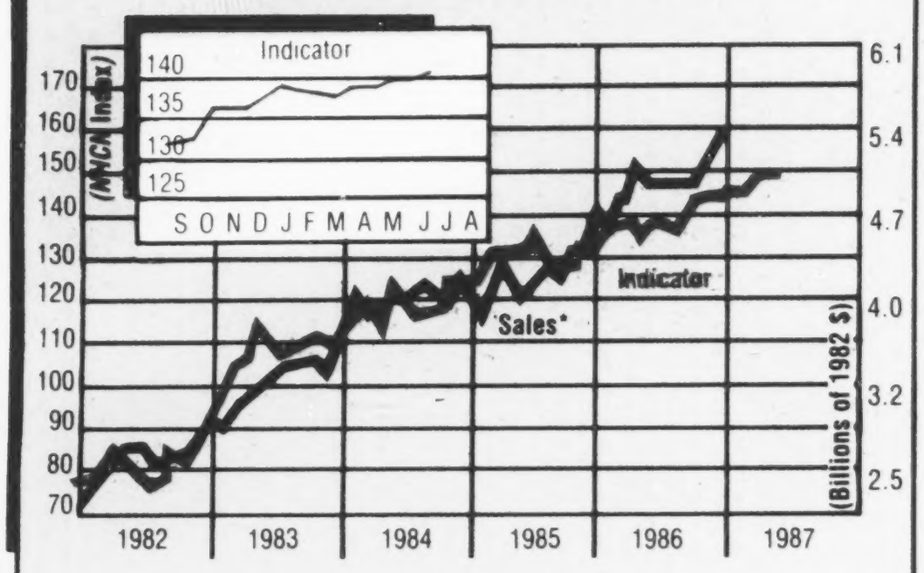
And a good portion of this business in the spring has come from the promotion of higher-quality merchandise.

In fact, many of the chains contacted said they are relying on advertising, rather than stepped-up discount programs, to attract customers.

"I think the growth of lawn and garden sales can be attributed to two forces: advertising and product improvement," said Jay Mitchell, director of public relations for 84 Lumber, the 373-unit chain based in Eighty-Four, Pa. "Whatever the job, there are products that make it easier and more cost-effective. And better advertising has brought this to

(Continued on page 75)

BUSINESS WATCH



The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong at the end of 1986, although they fell in January. In the last two months, resales rebounded from the January lull.

Rebound in resale prices spurs building materials sales

By Richard E. Mount
Special to NHCN

The 11 percent increase in building material sales, 6 percent in unit volume, that we expect for 1987 will be fueled in part by the rebound in existing home prices that has taken place since 1982.

Background

In 1979, rising inflation drove existing home prices up almost 18 percent on a year-over-year basis. Construction materials were scarce and rising in price. Foreign investors were buying farm land, increasing the price of building lots. Demand for resales, in particular, was at a peak. Fears of future inflation made housing a hedge against price increase and buy-now to beat future price increases was a growing cry. Realtors who preached "buy the largest house you can afford" made customers happier and wealthier.

Richard E. Mount

By the end of the last recession, 1982, the median price of existing homes was rising only one percent from a year earlier. High interest rates and a weak economy sent housing to postwar lows and sellers of existing homes had to keep their prices in check.

In 1986, resale prices were running six percent ahead of the prior year. The boom in the Northeast housing market more than offset the softness in the energy patch.

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1986				1987						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	143.4	142.8	118.5	130.4	141.3
General Economic Outlook												
	GNP $1982 Billion	3,655.9	3,661.4	3,686.4	3,696.1	3,735.2	3,741.7	3,761.4	3,779.27	3,585.2	3,675.0	3,754.4
	Real Disposable Income $1982 Bil.	2,581.2	2,625.8	2,605.5	2,593.4	2,620.9	2,629.9	2,645.9	2,659.3	2,528.0	2,602.0	2,639.0
	Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,737	1,610	1,650	1,675	1,733	1,762	1,668
	Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,808	1,740	1,720	1,700	1,742	1,806	1,742
	New Home Sales (000 SAAR)	789	794	686	711	711	715	735	750	688	749	728
	Resales (000 SAAR)	3,290	3,477	3,587	3,890	3,475	3,500	3,500	3,525	3,214	3,565	3,500
	Prime Rate %	9.4	8.6	7.9	7.5	7.5	7.9	8.0	8.0	9.9	8.4	7.9
	Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	9.1	9.0	9.4	12.5	10.2	9.2
	Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	334.6	337.9	341.6	345.6	322.1	328.3	339.9
	Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.1	292.0	294.8	298.2	301.4	293.9	289.7	296.6
	New Housing Affordability 1980-100)	128.6	129.4	126.1	127.8	131.4	133.4	132.6	133.9	117.6	128.0	132.8
Residential Alterations and Repairs												
Current	Total $ millions SAAR	91,800	84,000	88,907	90,140	93,474	96,292	99,299	101,438	80,267	88,712	97,626
	Maintenance and Repair	37,700	29,700	38,038	39,107	39,845	40,606	41,461	42,246	35,358	36,136	41,040
	Additions and Alterations	33,900	40,300	33,212	32,684	34,517	35,857	37,515	38,248	28,775	35,024	36,534
	Major Replacements	20,200	14,000	17,656	18,349	19,112	19,829	20,323	20,944	16,134	17,551	20,052
Constant	Total Millions $1982 SAAR	83,653	74,718	78,300	78,600	80,700	82,310	84,040	85,000	74,614	78,818	83,013
	Maintenance and Repair	34,355	26,418	33,500	34,100	34,400	34,710	35,090	35,400	32,864	32,093	34,900
	Additions and Alterations	30,892	35,847	29,250	28,500	29,800	30,650	31,750	32,050	26,791	31,122	31,063
	Major Replacements	18,408	12,453	15,550	16,000	16,500	16,950	17,200	17,550	14,959	15,603	17,050
Retail Trade Activity												
Current	Total $ millions SAAR	1,404,848	1,421,400	1,478,632	1,478,620	1,476,907	1,501,555	1,524,331	1,544,053	1,373,941	1,445,875	1,511,711
	Total Minus Automobile	1,094,680	1,098,912	1,112,548	1,123,804	1,135,907	1,155,925	1,177,322	1,191,303	1,061,148	1,107,486	1,165,114
	Building Material, Hardware, Garden Supply, Mobile Home	83,952	85,316	86,540	87,136	88,829	91,533	94,163	97,003	74,062	85,736	92,882
	Building Material and Supply	61,260	62,580	62,956	64,584	66,076	68,432	70,590	73,907	53,841	62,845	69,751
	Hardware	11,404	11,460	11,832	11,748	12,289	12,522	12,691	12,863	11,092	11,611	12,591
Constant	Total Millions $1982 SAAR	1,306,486	1,337,991	1,380,017	1,374,182	1,359,000	1,368,000	1,375,000	1,379,000	1,282,772	1,349,669	1,370,250
	Total Minus Automobile	1,026,722	1,048,913	1,054,219	1,059,193	1,060,000	1,068,000	1,077,000	1,079,000	997,299	1,047,262	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	78,808	82,347	82,367	81,208	81,966	83,625	85,176	86,876	70,215	81,183	84,411
	Building Material and Supply	57,497	60,401	59,924	60,190	60,790	62,150	63,475	65,800	51,035	59,503	63,054
	Hardware	10,706	11,063	11,262	10,949	11,340	11,440	11,480	11,520	10,507	10,995	11,445
	Building Materials % of Total Less Automobile ($Current)	5.60	5.69	5.66	5.75	5.82	5.92	6.00	6.20	5.07	5.67	5.99

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
May 18, 1967

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Rebound in resale prices to boost sales in 1987

(Continued from page 16)

Mortgage rates dropped in the first half of the year, and buyers traded up. The strength in new home prices, up nine percent in 1986, gave the resale market additional pricing flexibility. By the end of the year, the gap between new and existing home prices widened to $14,500 from $9,500 at the beginning of the year.

For 1987, resale prices are apt to be up only four to five percent from 1986. The reduction in marginal tax rates increases the after-tax cost of housing, and buyers will seek less expensive housing. Mortgage rates are on the rise again, and buyers will be more price sensitive as monthly mortgage payments increase. But, with the rise in resale prices that has already taken place, building material sales will continue to be strong.

The median resale price represents the middle of the market, half of the homes sold have higher prices, half lower. The median price is less than the average, which places a heavier emphasis on high home prices.

Impact on sales

The recent rise in resale prices will help to increase building material sales during 1987 and 1988.

The rise in price makes major improvements to existing homes more attractive. Adding an extra room to a $120,000 house is more practical than to an $80,000 house. Owners perceive more expensive homes as needing higher quality improvements and more frequent maintenance.

The new tax law permits the deduction of interest payments on home improvement loans. As people buy more expensive homes, they will be able to deduct larger loans for home improvements.

When selling an existing home, owners spend more for fix-up prior to sale if the home is more expensive. This is especially true of older homes surrounded by newer and higher priced units.

Sales outlook

The ongoing increase in resale values will serve to increase building material sales 11 percent this year. While many analysts concentrate on resale units, interest rates and housing starts in assessing future building material sales, those stores in areas enjoying a rapid rise in existing home prices have a better outlook.

Resales: The price swings

Price fluctuations of average U.S. resales

Sabbeth Ind. buys Mass. wholesaler

By an NHCN staff editor

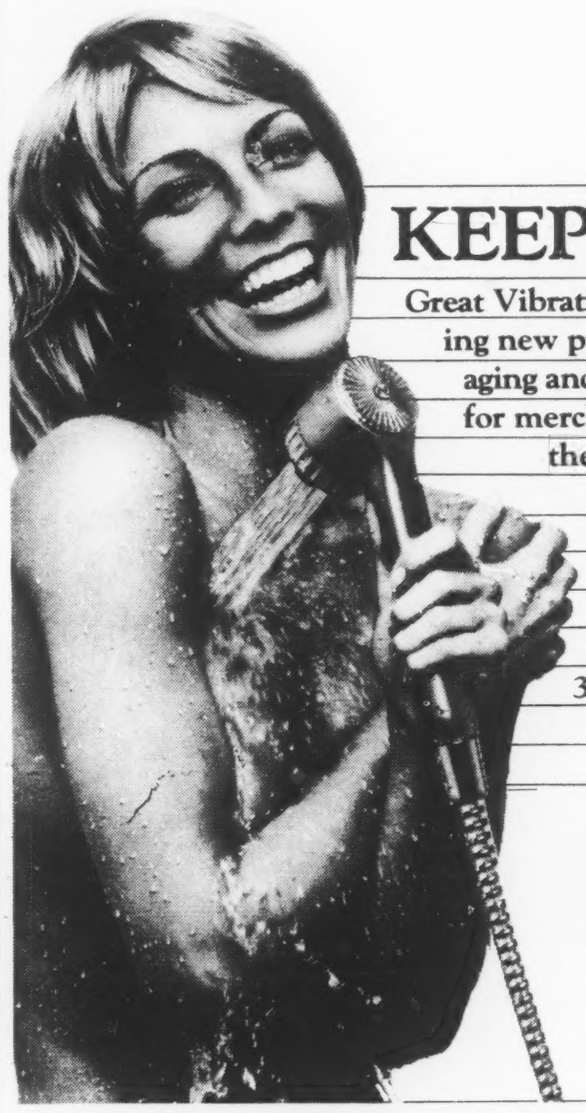
DEER PARK, N.Y. — Sabbeth Industries Ltd., the broad-based distributor of lumber and specialty lumber products, has purchased York Wholesale, a Haverhill, Mass.-based distributor, for an undisclosed sum.

Stephen Sabbeth, chairman of Sabbeth Industries, said York, which made about $15 million in sales in 1986, will operate as a wholly owned subsidiary and will concentrate on its existing New England market.

The division will be referred to as Sabbeth-York Ltd. henceforth and can tap into Sabbeth's inventory when needed.

Sabbeth Industries is one of the largest, family-owned wholesale lumber distributors in the nation.

It operates a network of sawmills, kiln operations, distribution yards and export divisions from New York to Missouri.



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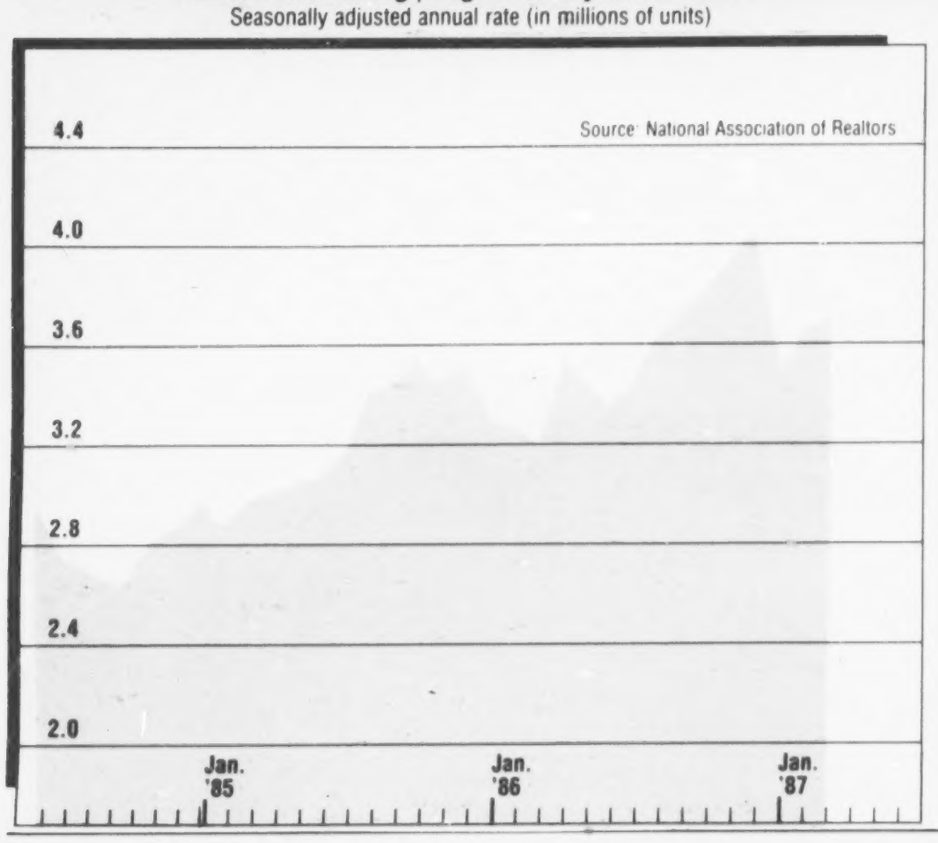
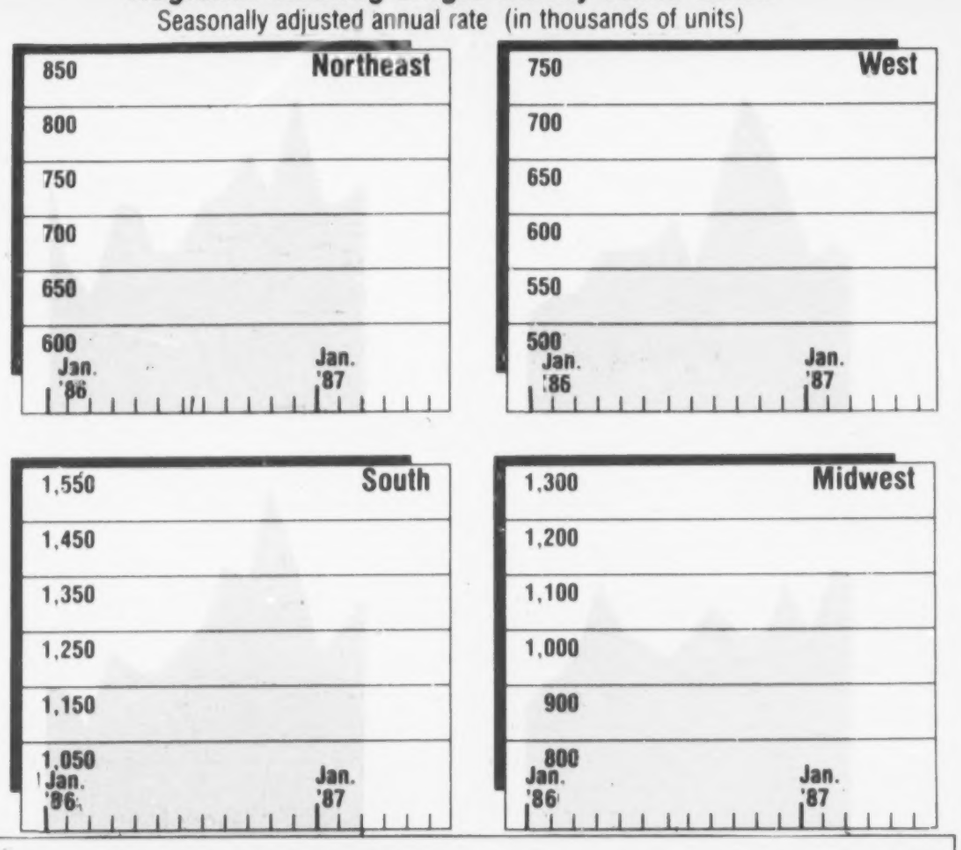
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Home sales gain across the country

By an NHCN staff editor

NATIONAL REPORT — Sales of existing single-family homes edged up slightly in March, the first month of the 1987 house-hunting season.

Sales rose only five-tenths of one percent in March, to 3.71 million units, seasonally adjusted, but were 14.5 percent ahead of the 1986 pace, according to the National Association of Realtors (NAR).

All four regions posted gains, the largest in the South. Sales there rose 20.5 percent from March 1986, to a seasonally adjusted annual rate of 1.31 million units.

The West had the smallest annual increase, up 3.7 percent to 560,000 units.

Compared to February 1987, the gains were more modest, ranging from 3.1 percent in the South to a 3.4 percent loss in the West.

NAR predicts 1987 will end with 3.65 million units sold, an increase of 2.2 percent from 1986, when 3.57 million existing U.S. homes were sold.

Mortgage interest rates should level off at 9.5 percent and stay there for 1987, according to housing economists. Economists are optimistic about mortgage rates despite recent—and most say temporary—increases.

In March, the effective rate for loans closed on existing single-family homes was 9.13 percent, according to the Federal Home Loan Bank Board, down from 9.21 percent in February. The March rates were the lowest since December 1977.

At press time, fixed-rate mortgages were exceeding 10 percent in most places.

The median-priced, single-family resale home cost $84,300 in March, down $700 from February but up 5.6 percent from March 1986.

Rising costs were greatest in the Northeast. Home prices rose 25.5 percent from last March, to a median $128,200, up two percent from February. Sales rose 2.8 percent in March to 730,000 units, seasonally adjusted, 14.1 percent above March 1986.

Median-priced, single-family resales fell in the South and West, to $80,800 and $100,600, respectively, in March. They rose $1,000 in the Midwest, to $68,100. The resale pace in the Midwest rose nine-tenths of one percent to 1.11 million units, up 15.6 percent from last March.

Median Sale Price
(in thousands of dollars)

	Jan.[p]	Dec.[r]	Nov.	Oct.
U.S.	$ 84.3	$ 85.0	$ 82.1	$ 80.8
Northeast	128.2	125.4	108.7	109.3
South	80.8	82.1	78.7	75.4
Midwest	68.1	67.1	65.2	62.7
West	100.6	104.0	100.3	103.5

[p]-preliminary [r]-revised
Source: National Association of Realtors

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LUMBER REPORT

Retailers, producers optimistic about pressure treated plywood

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Some manufacturers and retailers are attempting to stimulate sales in treated lumber by designing marketing programs for pressure treated plywood.

An overlooked structural panel that has not received much media or marketing attention since its inception 20 years ago, pressure treated plywood has blossomed in demand by both contractors and DIYers within the past three years, according to retailers and producers.

Most industry players—including those in manufacturing associations—believe the sudden spurt in the marketing of pressure treated plywood is an extension of the growing demand that has attended the treated lumber category in general.

The Lowe's Companies and Hoover Wood Treated Products of Thompson, Ga., are at the forefront of a blissful manufacturer/retailer relationship to boost treated lumber demand through pos literature. Both the retailer and the manufacturer insist that not only has demand been growing, but greater sales are assured once homeowners become aware of the diversity of end-uses for treated plywood.

Terry White, structural panel and lumber buyer for Lowe's, said the retailer began stocking pressure treated plywood about three months ago and is very encouraged by consumer and contractor reaction to the product. He said in some of the company's markets, some contractors had been requesting the product even before the company made the inventory commitment.

White added that the big push is for greater homeowner sales, and to that end, Lowe's is in the early stages of preparing point-of-sale literature to highlight the plethora of jobs pressure treated plywood can fulfill.

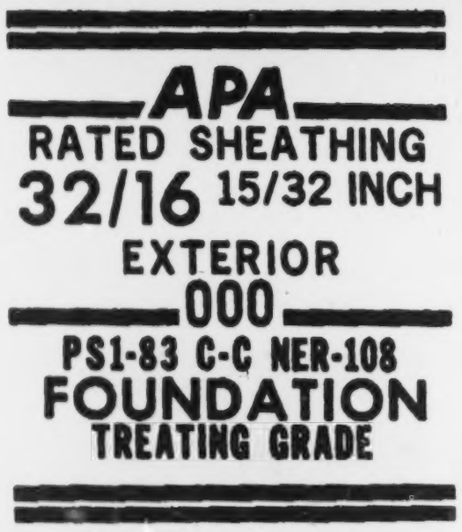
"There are 10 zillion things you can do with it," White said. "You can use it for utility sheds, kitchen and bathroom subfloors, underlayment for decks, pickup truck bed mats, garbage can decks, planter boxes, stable siding, boat docks.

"The big thing is we've got to put something out in the store to let the shoppers know."

The product retails for $3 to $4 more than untreated plywood. At Lowe's, the company prices treated plywood at $14 a panel.

Other companies, such as Knox Lumber and Georgia-Pacific, while not actively pushing the product through any kinds of literature or advertising, have nonetheless witnessed and reveled in the growing demand for pressure treated panels.

Doug Horrisburger, a lumber buyer for Knox Lumber in St. Paul, Minn., said his company has been stocking pressure treated plywood for ten years and has seen steady increasing demand annually.



The American Plywood Association has recently developed two new grades for pressure treated plywood. The APA's foundation grade, shown above, is the stamp for treated plywood that can be used in direct contact with the ground, particularly in permanent wood foundations.

"It's really a good product to stock and I don't think we would have have stuck with it for 10 years if it wasn't," Horrisburger said.

While he had no firm figures to point to, Horrisburger said the pressure treated plywood panels appears to be principally a contractor item.

At Georgia-Pacific, product spokesperson Barbara Smith could not state the quantity of treated panels the company was selling, but said the producer has also seen an increase in demand for the product.

The opportunities for sales expansion in pressure treated plywood come about two years after the Southern Forest Products Association (SFPA) launched a $1 million campaign to expand the market for southern forest products by five billion board feet. One of the targeted areas for the SFPA was permanent wood foundations in new home construction in place of concrete blocks or cement for basements.

Glenn A. Wilson, plywood marketing manager for Hoover Treated Wood Products, said the market has grown by 5 to 10 percent a year, an expansion rate that led his company to treat more than 25 million square feet of plywood last year.

Hoover trademarks its pressure treated panels with the name, CCA Outside PlyWood, a label that simultaneously identifies the preservative used and recognizes the company's parent, PlyGem Manufacturing.

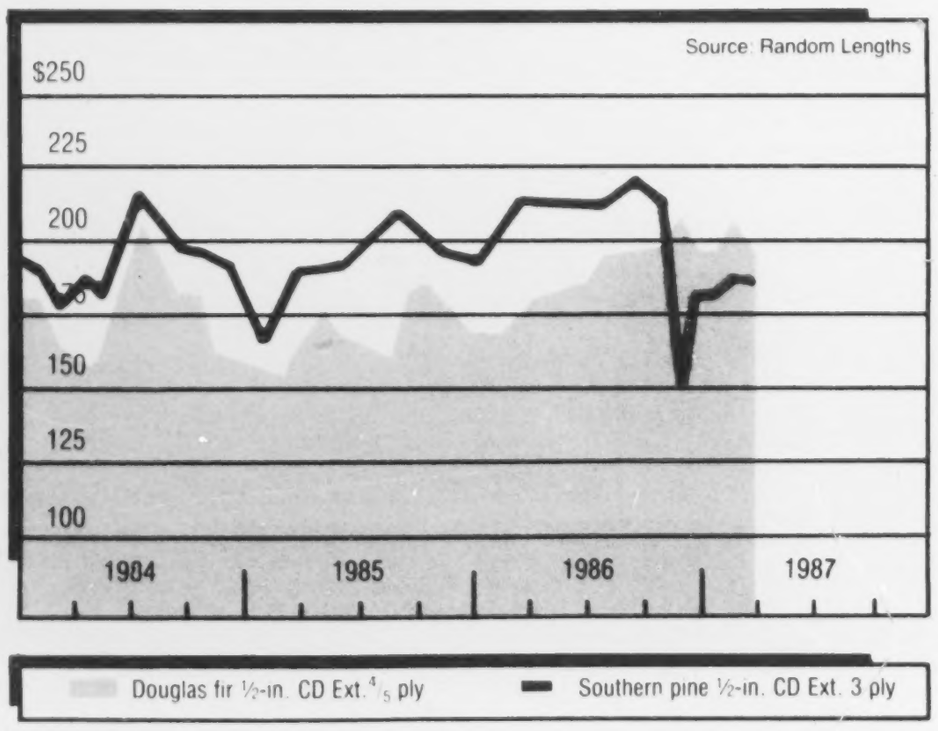
In an effort to cater to homeowners, Wilson said the company is primarily treating C-C, or better graded plywood rather than lower graded CDX.

Wilson explained that plywood with both faces having a clean veneer will appeal to consumers who might be concerned lesser grades with too many knotholes.

In addition, Hoover is treating its panels with 0.40 pounds of Copper Chromium Arsenic (CCA) per cubic foot. This percentage of preservative allows the company's panels to be stamped with the American Plywood Association's foundation stamp which tells contractors and other users that the product can be used in direct contact with the Earth or water. Below 0.40 pounds per cubic foot and most panels lose the foundation grade stamp since they cannot resist moisture rot and, therefore, must be used above ground.

Commodity close-up

Western and Southern Plywood
Average monthly mill prices
(per thousand board feet)



Since dropping at the end of 1986, plywood prices have been topsy-turvy. Douglas fir ½-inch CD Ext. 4/5 ply was $217 a thousand square feet in September. It ended the year at $194 a thousand square feet before leveling out in March at $198. Southern pine ½-inch CD Ext. 3 ply dropped from $190 a thousand square feet in September to a low of $150 in November. But prices rebounded for the Southern panels in March to $184 a thousand board feet.

National Home Center News • Section Two

Perspectives

The NHCN Annual Report on the Home Center Industry Part Two

Perspectives

CO-OPS LOOK TO BUILDING

By John Caulfield
NHCN staff editor

NATIONAL REPORT — Hardware wholesale buying groups dove into the uncharted waters of building material distribution last year, as they attempted to capture a larger share of the independent retail market and, perhaps more importantly, provide more meaningful and competitive product assortments to their dealer-members.

The motive behind this shift towards broader distribution is obvious: In a market whose independent dealer universe is shrinking by attrition, the co-ops have to find new ways to grow their businesses.

Last year, the number of dealers affiliated with the 17 largest buying groups actually declined by 16 units to 25,355. Sales, on the other hand, rose 11.4 percent to $7.365 billion, the first time this group of companies has cracked the $7 billion barrier.

Of those totals, the top six companies accounted for $5.87 billion, a 10.8 percent gain over 1985, and served a total of 20,666 dealer-members.

And it appears much of this growth came from an expansion of lumber and building materials distribution, or the initiation of such programs.

Ace's new program

For example, American Hardware Supply, the Butler, Pa., co-op, enjoyed the greatest percentage increase of any of the hardlines-oriented buying firms. According to company officials, this growth was attributable in part to an arrangement American has struck with Georgia-Pacific to distribute a variety of G-P's commodities. Consequently, American's sales of lumber and building materials, as a percentage of its total volume, rose to 36 percent from 30 percent in 1985.

The impact of this arrangement with G-P is even more evident when one sees that American's gross sales for its fiscal year ended June 1986, were up only 7.8 percent to $685.5 million.

Another example was Ace Hardware, the industry's second-largest co-op, which introduced its first full-line commodities distribution program to dealers at its fall buying show last year.

For the moment, the Oak Brook, Ill., co-op is subsidizing this program through discounts, and it's too early to tell how successful it will be. But Ace has been extremely aggressive in converting its dealers to its "Store of the Future" retrofit, and this commodities program should serve to augment that effort.

The most publicized example of this blending of hardlines and building products was the attempt by Coast to Coast, the Denver-based franchised buying group, to merge with Builder Marts of America (BMA), the $650 million dealer-services organization in Greenville, S.C., which supports 1,725 stores. That deal, however, fell through earlier this year.

Co-ops thriving

That hardware-oriented buying groups want a piece of the commodities action is not surprising, given the strength of the housing and remodeling markets and the robustness of those companies specializing in trading building products.

"Last year was a banner one for us, the largest we've ever had," said Paul Dodge, BMA's dealer services president. "When the market is strong, it allows more of our dealers to buy in large quantities, which is what we specialize in."

Other building materials co-ops also thrived: Central Builders Supply, the Sturgis, Mich.-based group which last year offered its members a store-to-headquarters communications system, increased its sales a whopping 41.3 percent; ENAP, based in Newburgh, N.Y., and Progressive Affilated Lumbermen, grew almost 30 percent.

Even in the oil patch, where making money is tantamount to divine intervention, some building products distributors fared better.

"The market has certainly deteriorated, but as far as we're concerned, we improved our efficiency, and had real growth of 10 percent," said Laddie Woods, president of Allied Building Stores in Monroe, La..

It appears that several co-ops concentrated their efforts on improving profits, not the least of these being Cotter & Co., the industry's largest buying group.

Despite the addition of two distribution centers last year, Cotter's warehouse and general administrative costs rose

Top Hardware, Lumber & Building Material Buying Groups

Rank '86	Rank '85	COMPANY	SALES Total sales (mil. $) '86	'85	% chg.	Lumber & Building mat'ls as a % of sales '86	'85	STORES Dealer stores '86	'85	No. of home centers '86	'85	HC sales as % of total '86	'85	INVENTORY ANALYSIS No. of warehouses (tot. sq. ft.) 1986	Min./max. inventory (mil. $) '86	'85	Stock keeping units '86	'85	Sales to inventory ratio '86	'85	% of sales from drop shipment '86	'85	CHARGES % charges to dealers out of: • warehouse • pool relay • drop ship '86	'85	EMPLOYEES No. of employees 1986
1	1	**Cotter & Co.,** Chicago	1,734	1,700	2.0	6	5	7,100	7,000	1,600	1,500	30	30	15 (6.5 mil.)	236	169	32,000	32,000	6.0	4.9	41	25	5-15 6 2	5-15 6 2	3,700
2	2	**Ace Hardware,** Oak Brook, Ill.	1,061	1,009	5.2	5	5	4,866	4,710	1,600	1,600	41	41	13 (4.7 mil.)	120-165	105-145	39,000	39,000	5.3	5.4	32	32	10 6 0-2	10 6 0-2	2,200
3	3	**American Hardware Supply,** Butler, Pa.	842	688	22.4	36	30	3,700	3,700	1,463	1,405	47	40	6 (1.8 mil.)	60-73	53-63	34,000	34,000	5.0	5.0	27	27	5-15 6-10 0-3	5-15 10 0-3	1,000
4	5	**Lumbermen's Merchandising Corp.,** Wayne, Pa.[1]	800	658	21.6	80	80	575	550	50	50	45	45	None	—	—	—	—	—	—	—	—	—	—	130
5	3	**Hardware Wholesalers Inc.,** Fort Wayne, Ind.	783	688	13.8	30	30	2,700	2,650	1,650	1,600	50	50	5 (1.9 mil.)	48-63	46-55	35,000	35,000	13.0	13.0	50	54	no adder up depending on cost of handling		715
6	6	**Builder Marts of America,** Greenville, S.C.[2]	650	555	17.1	75	75	1,725	1,610	254	240	10	10	None	—	—	—	—	—	—	—	—	—	—	197
7	7	**Coast-to-Coast,** Denver, Colo.	336	313	7.3	NA	NA	1,050	1,075	NA	[illegible]	10	10	3 (1.1 mil.)	50	50	28,000	28,000	NA	NA	10	10	NA	NA	950
8	8	**Central Builders Supply,** Sturgis, Mich.	223	158	41.3	100	100	508	508	200	125	80	80	None	—	—	—	—	—	—	—	—	—	—	45
9	9	**ENAP,** Newburgh, N.Y.	192	148	29.7	100	100	127	118	95	89	85	85	None	—	—	—	—	—	—	—	—	—	—	42
10	10	**Allied Building Stores,** Monroe, La.	131	123	6.5	80	80	160	150	35	30	25	25	1 (65,000)	1.2	1.2	4,500	4,500	10.0	10.0	90	92	4.5 NA 8-10	4.5 NA 8	50
11	12	**Philadelphia Reserve Supply,** Croydon, Pa.	130	100	30.0	90	100	186	180	150	144	70	70	2 (90,000)	1.7-4	1.7-4	2,000	2,000	7.0	6.0	80	75	17-20 8-10 2.5	17-20 8-10 2.5	42
11	11	**Progressive Affiliated Lumbermen's,** Grand Rapid, Mich.	130	100	29.5	100	90	213	191	210	189	100	95	None	—	—	—	—	—	—	—	—	—	—	18
13	12	**Our Own Hardware,** Burnsville, Minn.[3]	121	151	−19.9	12	10	1,200	1,696	400	625	33	43	2 (800,000)	15-21	12-17	33,000	35,000	5.0	5.3	28	32	7-11 6 2	7-11 6 2	350
14	14	**United Hardware Distributors,** Minneapolis	91	93	− 2.5	NA	NA	501	544	30	30	5	5	1 (420,000)	10-15	10-15	33,000	33,000	6.2	6.4	13	12	2-11 6 1	2-11 6 1	280
15	15	**Independent Builders Supply Assoc.,** Smithfield, N.C.	85	73	17.4	85	85	93	91	64	64	65	70	None	—	—	—	—	—	—	—	—	—	—	11
16	17	**Handy Hardware Wholesalers,** Houston	46	43	6.7	20	20	592	546	135	135	25	25	1 (200,000)	6.5-7.5	5-6	20,000	19,000	6.0	6.0	22	23	9 5 1	9 5 1	116
17	18	**Connecticut Hardware Co.,** Cromwell, Conn.	10	9	5.3	0	0	59	52	5	5	5	5	1 (35,000)	1.5	1-1.3	32,000	30,000	6.2	6.2	35	35	NA	NA	16

[1]ELMCO's totals are *NHCN* estimates
[2]Builder Marts is an employee-owned dealer services organization
[3]Our Own Hardware merged with Gamble's in January 1986
NA—not available
Source: Company data, *NHCN* research, chart

MATERIALS FOR GROWTH

only six percent to $148.7 million, while its net income jumped 6.8 percent to $71,192,000.

"We thought 1986 came across pretty well and that our bottom line was a lot better because of cost containment," said Ray Grymski, Cotter's controller.

Merlyn Brinkman, treasurer for United Hardware Distributing in Minneapolis, also spoke of a strengthened bottom line, despite most of United's dealers being in the depressed Farm Belt.

Even for Our Own Hardware, which in January 1986 merged with Gamble's and then began an extensive pruning process, 1986 "was excellent, and extremely profitable," said senior vp Jim Weyrens. "Essentially we stopped servicing a lot of dealers that couldn't be said to be in business anymore. And our sales in the first quarter this year were up 18 percent."

Economic stability among the buying groups belied the degree of change that occurred in the industry.

Some of the more noteworthy news last year included:

- Ace's election of a new president, Roger Peterson, to replace long-time employee Larry Gavin, who left this post on August 4, 1986. Ace also appears to be moving into a new phase, updating its logo and airing TV commercials that are more institutionally focused.

Ace had the greatest increase in membership last year, gaining a net of 156 new members.

- American purchased Speer Hardware, a Fort Smith, Ark., distributor with 1986 sales of $5 million. And more than 600 dealers took on American's "ServiStar" logo.
- Allied moved into a new 12,000-square-foot office, and has at least six dealers converting to its new retrofit program.
- While the rest of the co-ops kept their drop-shipping on an even keel, Cotter saw drop shipment business increase dramatically and account for 41 percent of total volume.
- Overall, the number of home center-type stores affiliated with the leading co-ops grew by about four percent to 7,941 units. This increase is a reflection of the various store remodelings that many co-ops have been marketing to members to bring a wider variety of merchandise into stores.

Hardware Wholesalers Inc., the Fort Wayne, Ind., group, currently gets half its sales from these home improvement members; ENAP, which basically services small lumberyards, now gets 85 percent of its business from these type operations.

- The national marketing groups whose members include most of the larger independent hardlines wholesalers in the country saw their aggregate sales volume increase only marginally to $3.705 billion in 1986, led by Liberty Distributors whose members' sales rose to $890 million.

Pro Hardware, the Stamford, Conn., group, was the only company to suffer a decline in sales volume, due mainly to the aftermath of Belknap's liquidation and to the loss of member Blish Mize, the Atchison, Kan., distributor that switched to Sentry Hardware.

However, even Pro's horizon looks brighter, according to its president Gary Cosgrave, who reports that Pro enjoyed a "banner" first quarter, 1987. Pro has convinced about 46 percent of its affiliated dealers to convert to its in-store retrofit and merchandising program.

Leading Public Home Center Suppliers

Company	Sales* (in $ bil.)	% chg. over 1985	Earnings (in $ mil)
3M	8.602	9.6	779.0
Weyerhaeuser	7.234	16.8	276.7
Georgia Pacific	7.223	7.5	296.0
Textron	6.951	21.5	245.9
International Paper	5.500	22.2	305.0
Honeywell	5.378	−18.8	(398.1)
PPG Industries	4.687	7.9	316.4
North American Phillips	4.517	3.1	68.5
Champion Int'l	4.388	−24.0	200.8
Boise Cascade	3.740	0.1	101.5
Owens-Corning Fiberglas	3.644	10.3	15.6
Cooper Inds.	3.433	11.9	147.7
Amer. Standard	2.998	2.9	193.2
USG Corp.	2.724	7.8	225.5
Triangle Industries	2.668	62.1	46.9
Jim Walters Corp.	2.348	4.6	154.4
Emhart	2.094	18.0	(10.2)
Union Camp	2.045	9.6	129.9
Manville	1.920	2.1	81.2
Black & Decker	1.798	2.7	29.9
Sherwin-Williams	1.553	−29.3	106.0
Louisiana-Pacific	1.506	19.5	56.6
Masco	1.452	25.8	203.4
Stanley Works	1.371	13.5	78.7

Source: Forbes Magazine's 500 list *NHCN* chart
*The above figures reflect the corporate sales and earnings of each company. For the most part, these firms do not break out their sales at retail.

Independents fight economy, buying groups

NATIONAL REPORT — While independent wholesalers reported stable or increased sales in 1986, wholesalers operating in energy producing areas reflected the downturn.

And of the 13 regional firms and one national wholesaler contacted, most reported internal changes to cope with continuing problems in competing with wholesalers affiliated with national marketing organizations such as Sentry Hardware and Liberty Distributors. Two independents contacted chose to join one of these groups last year, each saying the buying group could expand their customer base more quickly than the internal sales force.

Aside from the southwest region of the country, most independent wholesalers are reporting higher sales. They say their salesmen are working harder to beat competitors' prices, but not trimming margins

Regional swings

In the Southwest, the five-year downturn in the economy is dragging down independent wholesalers. "Building in Oklahoma just plummented" last year, said Jim Harms of J&B Supply in Fort Smith, Ark., leaving sales at about $10 million, the same figure the building materials firm reported in 1984.

It was the same "not real rosy" picture in Reno, Nev., where J.R. Bradley Company's $5 million in sales fell last year, according to president Gary Martin.

Away from the southwest, independents in California, New Jersey, Illinois, Idaho, Washington and Ohio reported higher sales. Like B&T Wholesale Distributing in Renton, Wash., most say that their salesmen are working harder to beat competitor's prices but not trimming margins.

"Prices don't seem to mean too much," said Ted McLendon, president of B&T, "we make a little and we don't lose any."

Publicly traded independent Waxman Industries posted an 18 percent hike in net sales last year to $97.84 million versus $82.69 million in 1985 for the fiscal year ending June 30.

Of the independents contacted, the buying group's impact had the least effect on Waxman, a national plumbing, electrical and hardware manufacturer and distributor.

According to chairman and ceo Melvin Waxman, because of the wholesaler's segmented product line it is a buying group competitor; Waxman Industries supplies the home center warehouse and chains while Barnett Brass and Keystone subsidiaries supply the major co-ops.

"We never felt a crunch from the buying groups," said Harms, general manager of Arkansas's J&B Supply, "but we're missing some sales." To remain competitive, J&B broadened plumbing lines more than two years ago.

For plumbing independents, the biggest hurdle in competing with the affiliated wholesalers was buying power on products like pumps, water heaters and disposals.

Echoing others, one vice president of an Idaho independent distributor said that convincing manufacturers to give the same discounts to independents that it gives to affiliated wholesalers was "a constant battle."

"You have to fight for those discounts, jawbone 'em pretty hard," said J.R. Bradley's Martin, "and sometimes you don't get it."

Wholesaler Buying Groups

Rank	Company	Sales (mil. $) '86	'85	% chg.	No. of wholesalers '86	'85	Affil. dealers/ total customers 1986 (1985)	% of home centers '86	'85	Wholesaler warehouses '86	'85	Aggregate Inv. (mil. $) '86	'85	Sku's 1986 1985	No. of employees '86	'85	Advertising: corporate wholesaler 1986 1985
1	**Liberty Distributors,** Des Plaines, Ill.	**890**	859	3.6	**24**	23	**2,905/32,000** 2,818/32,000	**35**	35	**50**	52	**125**	115	**30,000** 36,000	**43**	43	**$3.8 mil./$1 mil.** $3.4 mil./$1 mil.
2	**Associated Building Materials,** Scottsdale, Ariz.	**800**	750	6.7	**50**	50	**none/25,000** none/25,000	**80-90**	80-90	**88**	94	**170**	105	**NA**	**3**	4	**NA**
3	**Pro Hardware,** Stamford, Conn.	**615**	703	−12.5	**14**	16	**5,100/16,700** 5,325/18,000	**38-40**	38-40	**22**	27	**100-105**	105	**24,000** 22,000	**17**	26	**$1 mil./$3 mil.** $3 mil./$1 mil.
4	**Sentry Hardware,** Chicago	**550**	550	0	**14**	12	**5,700/5,700** 5,700/5,700	**20**	20	**22**	20	**135**	NA	**40,000** 38,000	**16**	9	**$7 mil./NA** $7 mil./NA
5	**ValTest Distributors,** Chicago	**425**	425	0	**34**	32	**1,100/6,500** 900/6,500	**15**	15	**42**	42	**41**	40	**13,500** 13,500	**9**	9	**$87,000/$600,000** $80,000/$600,000
6	**Allied Hardware Services,** Chicago	**295**	270	9.3	**30**	29	**800/18,300** 800/16,600	**12**	10	**31**	32	**68**	57-61	**23,500** 21,500	**5**	5	**$240,000/$220,000** $185,000/$200,000
7	**Associated Hardware Buyers,** Gainsville, Ga.	**130**	130	0	**22**	23	**NA**	**NA**	NA	**22**	23	**NA**	NA	**NA**	**4**	4	**$5,000/NA** NA

Source: Company data, *NHCN* research, chart
NA—Not available/applicable

Perspectives

annual report

Earnings Performance

Company	Earnings '86 $ mil	Earnings '85 $ mil	Earnings Change '86-'85 %	Net Margin '86
Hechinger	28.3	23.1	22.5	4.81
The Home Depot	23.9	8.2	191.5	2.36
Lowe's	55.1	59.7	– 7.7	2.41
National Lumber	– 2.4	– 0.2	NA	–1.60
Pay 'N Pak	5.7	8.1	– 29.6	1.43
Payless Cashways	42.4	38.1	11.3	2.77
Scotty's	11.9	16.1	– 26.1	2.35
Standard Brands Paint	15.0	15.8	– 5.1	4.59
Strober Organization	5.0	3.4	47.1	5.43
Wolohan	5.3	3.5	51.4	2.73
Averages*	—	—	22.4	2.40
Totals*	179.9	168.9		

*Minus Wolohan and Strober
Source: Company reports
NA-Not available/applicable
NHCN chart

Comparable Store Performance

Company	Comp Store Sales Increase '86 %	Comp Store Sales Increase '85 %	Total Sales '86 ($ millions)	Sales Change '86-'85 %
Hechinger	8.0	5.0	588	22.8
The Home Depot	7.0	2.1	1011	44.2
Lowe's	6.0	10.0	2283	10.2
National Lumber	NA	NA	150	10.3
Pay 'N Pak	8.9	4.7	398	19.5
Payless Cashways	4.4	5.0	1528	9.9
Scotty's	5.3	5.0	507	7.2
Standard Brands Paint	– 5.2	3.3	327	– 3.3
Strober Organization	17.9	NA	92	17.9
Wolohan	22.0	8.7	194	28.5
Averages*	4.9	5.0	—	15.1
Totals*	—	—	6792	—

*Minus Wolohan and Strober
Source: Company reports
NA-Not available/applicable
NHCN chart

Earnings in '86 fall short for many firms

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Where are the fruits of last year's slowdown in home center expansion?

Did the reductions in pre-opening expenses, advertising and personnel costs translate into rosier earnings?

In some cases, yes. But earnings reports from many companies were not as good as expected.

Granted, the fruits of the 1986 strategy may show up in earnings reports later this year.

Even so, the numbers suggest companies will likely continue to shave expansion costs in 1987.

Sales at comparable stores (stores open longer than one year) increased an average of 4.9 percent at seven of the largest publicly held firms that report such numbers. That's not far off the 5 percent average increase for the same group in 1985.

The figure shows operators were more successful in 1986 than they were the previous year in attracting additional business at existing units. That's because the inflation rate last year was 1.9 percent, much lower than the 3.5 percent of 1985.

Yet earnings for many companies failed to meet expectations.

Companies were particularly hard hit in the South, where problems in the oil industry continued to be felt. This affected Lowe's and Scotty's.

Greater competition on the West Coast, too, meant earnings were affected negatively at National Lumber, Pay 'N Pak and Standard Brands Paint.

There were some good performers last year. Largely because of a drastic slowdown in its expansion pace, one of the "winners" in 1986 was The Home Depot.

For the Atlanta company, earnings increased by 191.5 percent to $23.9 million in 1986.

The previous year, earnings for the firm dropped by 42 percent to $8.2 million.

Hechinger, too, reported a considerably better earnings increase last year than in 1985.

For 1986, Hechinger's earnings increased by 22.5 percent to $28.3 million.

In 1985, its earnings increased 10 percent to $23.1 million.

Payless Cashways reported an 11.3 percent earnings increase to $42.4 million last year. That, too, was better than the previous year's three percent increase to $38.1 million.

The Northeast provided a favorable operating environment for home center chains.

The same can be said for parts of the Midwest, where a rebound in the economy in the Detroit area brought about an earnings increase of 51.4 percent at Wolohan Lumber.

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Perspectives

annual report

Window and door market projected to chart hefty sales

By an NHCN staff editor

NATIONAL REPORT — The growing size of the remodeling market, which topped an estimated $90 billion last year, was brought about, in large part, by increasing window and door replacement sales.

In fact, the entire window and door market is projected to chart hefty sales increases over the next several years.

This projection is based on strong housing starts activity, the aging of the existing stock of homes and the increasingly large move-up buyer segment looking for more high quality, energy-efficient products.

As a category of home remodeling projects, professionally installed window and door replacements totaled $3.5 billion last year, according to the National Association of the Remodeling Industry, (NARI), making it the third most popular remodeling project behind kitchen and bath and exterior siding.

The typical door and window replacement project costs about $9,000, NARI said.

Popular products in the door category include steel entry and leaded glass doors.

Especially popular window products remodeling projects are decorative or geometrics, energy conserving glass and windows with solid vinyl frames and sashes.

In total, about 70 million windows are sold annually.

Approximately 35 million windows and patio doors were sold to residential markets last year. Nearly half, or 15.3 million units, were used for remodeling projects. That's up 12 percent from 1985, according to LSI Systems, Crofton, Md. This year, 11 percent more windows are expected to be sold in this category.

LSI expects 37.1 million windows and patio doors will be sold for residential installation this year, up nine percent from 1986 and 19 percent from 1985. Of the total, 5.0 million patio doors will be sold in 1987, up from 4.9 million in 1986.

Exterior door sales are projected to rise eight percent over the next three years, compared to relatively flat sales over the previous three years. This year, LSI Systems estimates 7.5 million exterior doors will be sold in the residential repair market, up from 7.3 million last year.

Growth appears to be largely seated in exterior steel doors which now account for 36 percent of all exterior doors sold for remodeling projects, according to LSI Systems.

Wood flush doors comprise 34 percent of all units slated for residential repair, and wood panel doors and other door products account for 30 percent of that door market.

In new construction, steel doors total 67 percent of all new doors installed, wood panel doors, 15 percent, and wood flush doors, 18 percent of the door market, LSI said.

But the largest portion of the residential door market was in interior doors. LSI Systems reported that 33 million interior doors were sold to the residential remodeling market last year and that 33.5 million should be sold in 1987.

A growing portion of window sales for the remodeling market are solid vinyl window frames and sashes, which account for almost five million windows, experts report.

Anodized aluminum windows, wood windows with vinyl plastic or aluminum cladding around a wood frame and sash, are also very popular.

In fact, wood frame and sash windows now account for 21 percent of all windows sold to the residential market.

But the most popular material for window frames remains aluminum, accounting for 42 percent of the residential window market. Wood windows hold 22 percent of that market and vinyl and steel hold the balance, LSI Systems reported.

According to LSI's recent report on window activity for 1986, the average single-family detached house uses 13.5 windows, up from 12.5 windows in 1976, and 1.2 patio doors. Of the patio doors, 67 percent were sliding glass doors and 33 percent were hinged patio doors.

Decorative windows, or geometrics, are becoming a more important part of the window business, retailers and manufacturers report.

Representatives from Andersen and Marvin Windows estimated that between 10 percent and 15 percent of all windows sold are now in special shapes.

Increasingly, home improvement retailers are adding circulars, half-rounds, elliptical, trapezoids, octagons and arches to their in-stock mix of conventional windows.

The more cautious retailers have made the decorative windows available through special order. In both cases, retailers report they are enjoying 40 percent gross margins on these high-ticket items. Prices generally start at about $100 and have been known to go up to $28,000.

In addition to type and style of windows, consumers are looking more at energy conservation when they consider window and exterior door purchases, experts report.

Increasingly, consumers are paying attention to air leakage around doors and windows that add dollars to their home heating bills.

Low-E glass, a coated glass that reflects heat back into the house and reduces the transmission of ultraviolet light that can fade home furnishings is gaining in wide consumer acceptance.

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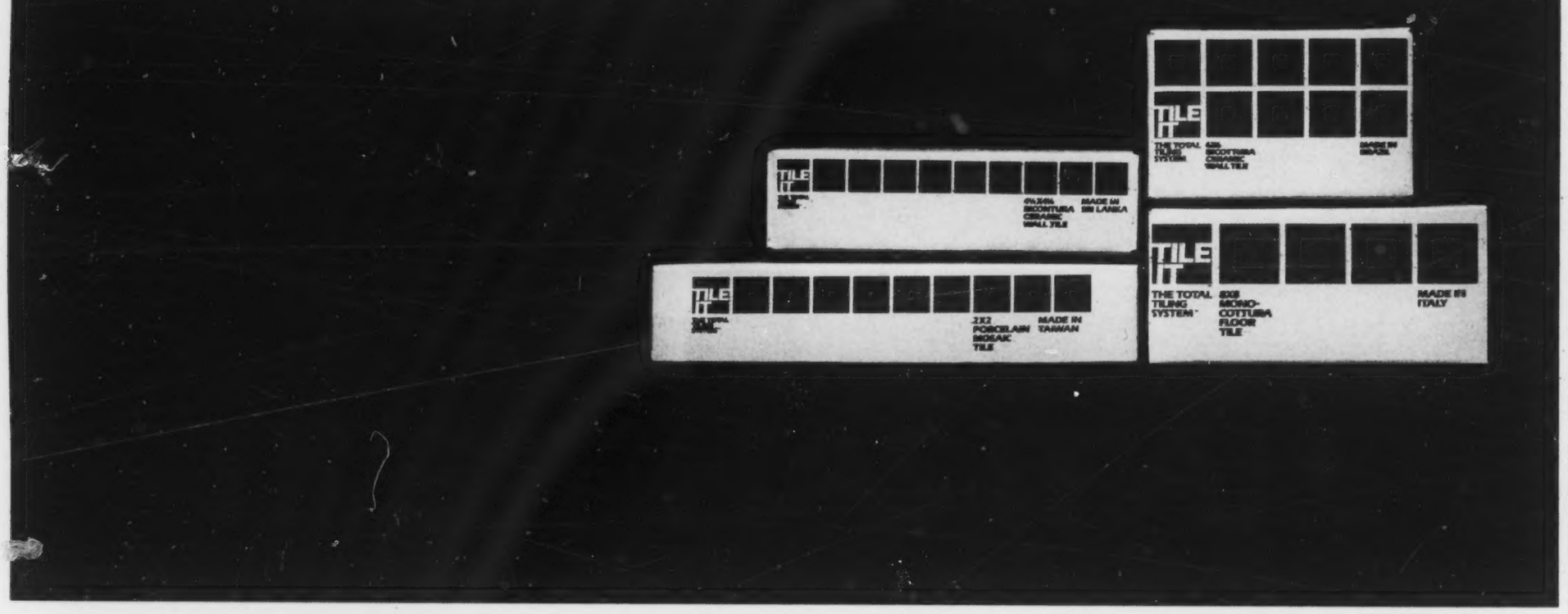

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Perspectives

annual report

Hand Tools: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	114.88	125.75	35.9	35.6	5.8x	4.9x	2.06	1.74
Lumber/building material outlets**	100.26	121.24	38.5	37.5	3.5x	3.9x	1.36	1.47
Hardware stores	126.86	143.07	34.8	31.4	4.1x	4.0x	1.44	1.22

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Power Tools: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	145.08	136.48	30.03	31.3	4.2x	5.3x	1.28	1.65
Lumber/building material outlets**	114.49	104.13	29.50	30.7	3.8x	3.2x	1.14	0.98
Hardware stores	157.69	144.61	31.00	25.4	4.1x	3.8x	1.28	0.94

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Hand tools outperforms power tools category

By an NHCN staff editor

NATIONAL REPORT — The key words in the tool category last year were "imports," "cordless" and "professional."

And, as has been the case for several years, the hand tool category proved to be more profitable than power tools for home center operators polled by the National Retail Hardware Association.

The NRHA's "Bottom Line" report compared the performance of these products in home centers, hardware stores and retail lumberyards. Its findings for the year 1985 (the latest available data) show that among all three dealer groups, sales per square foot from power tools was up over 1984, but down for hand tools.

On the other hand, each retail sector experienced an increase in gross margin from their hand tool sales, where only lumberyards saw gross margins increase for power equipment.

Home centers saw a significant increase from hand tools in the all-important Gross Margin Return on Investment (GMROI) barometer, but a dropoff for power tools. Both categories were more profitable for lumberyards, but, surprisingly, only the power tool category showed an increase for hardware stores, with GMROI off for this retail group in hand tools.

Looked at more closely, those home centers who responded to the NRHA's poll reported that their turnover of hand tools had improved between 1984 and 1985 by 0.9 turns to 5.8 turns annually.

This category accounted for about 3 percent of these stores' sales, and produced gross margins of 35.9 percent, or nearly a half percentage point higher than the year previous.

But it appears that home centers gave slightly more space to these products on their sales floors in 1985, and consequently, the category's sales per square foot fell off by more than $10 to $114.88.

The sales and earnings performance of the power tool category for home centers seemed to be an inverse mirror of its hand tool counterpart.

Sales per square foot increased more than 6 percent to $145.08 during a period when the contribution to total sales from this category for home centers declined to 2.4 percent, compared to 3.3 percent in 1984.

But in other measures—turnover, GMROI and gross margin—power tools was less productive for home centers in 1985 than 1984.

The study shows that, among the three retail groups, hardware stores are devoting the greatest amount of square footage to hand tools (7.5 percent of a store's total sales floor) and power tools (4.6 percent).

Hardware stores also had the lowest turnover in both product categories among the three types of retailers.

Lumberyards achieved the highest sales per square foot for hand and power tools, and showed marginal increases in turnover of both categories in 1985. These lumber dealers also appeared to enjoy the healthy increases in GMROI (to 1.44 in 1985 from 1.22 in 1984 for hand tools; 1.28 from 0.94 for power tools).

These sales and earnings measurements were set against a backdrop of dealers trying to improve their profitability from hand tools by including in their stores' merchandise mix better-grade import products which, by industry estimates, accounted for around 15 percent of the industry's sales in this category last year.

Yet despite this continuing overseas onslaught, a number of domestic hand tool suppli-

(Continued on page 38)

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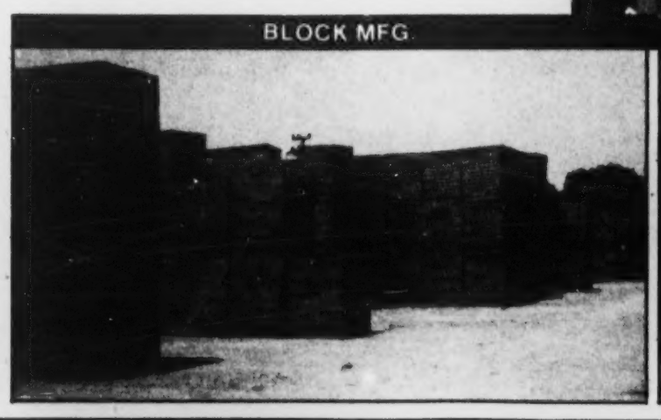

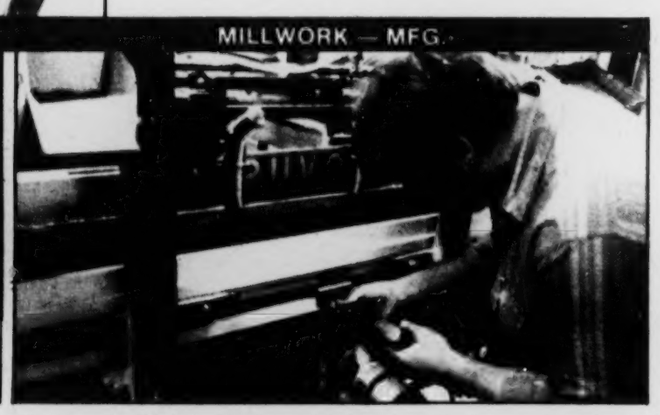

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Perspectives

annual report

Paint pricing and promotion wars slow down in 1986

Paint: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	143.42	129.37	33.9	37.5	6.1x	6.6x	2.06	2.48
Lumber/building material outlets**	172.86	174.12	39.4	30.8	4.2x	4.5x	1.73	1.56
Hardware stores	114.19	124.60	34.7	37.6	4.6x	4.2x	1.79	1.57

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

By an NHCN staff editor

NATIONAL REPORT—Many retailers found ways to slightly increase their gross profit margins in the paint and home decorating merchandise category last year.

This was a sharp contrast to 1985, when promotion was the name of the game and some retailers sold paint below cost to create market share.

At least one retailer—Color Tile—decided to retreat altogether from the paint-related pricing battles in 1986.

The floor and wallcovering DIY chain based in Ft. Worth, Tex., closed out its entire 12-stockkeeping unit line of private-label, in-house manufactured paint and sundries.

Customers "didn't identify us as a paint retailer and we never got the inventory turns and sales we needed," vp-advertising Ty Whorton said.

"Paint did not take up a great deal of space," he added. The paint closeout began in late November 1986 and was set to be completed by this past March.

Despite intense competition in its mostly Western U.S. markets, one major paint retailer, Standard Brands Paint Co., ended the year on an upbeat note.

In December, Standard Brands experienced a 4% same-store sales gain, its first such gain in 14 months, said Bo Cheadle, an analyst with Montgomery Securities.

Cheadle said the Torrance, Calif.-based company managed the sales gain without an accompanying promotional burst.

He added that Standard Brands' management has spent the last year regaining its gross margin while simultaneously squeezing down costs.

At year end, Standard Brands was operating 135 retail units. Paint was the larg-

(Continued on page 42)

Hand tools still outperforms power tools category

(Continued from page 36)

ers flexed their muscles in 1986, most prominently Emhart, whose consumer division will be one of the areas targeted for expansion in 1987; and Stanley Tools which opened the year acquiring Bostitch and closed 1986 buying National Tool in Dallas.

On the power tools side of the equation, dealers of all stripes were scurrying to get as many cordless products into their stores as they could.

At last year's summer Hardware Show in Chicago, virtually every major power tool supplier—Black & Decker (which continued with its major restructuring and reorganization program), Skil, Makita, Ryobi, Milwaukee—was introducing new cordless products or expanding what they already stocked. Most manufacturers, no doubt, are looking for the kind of success Skil has had with its "Twist" cordless screwdriver, of which the Chicago manufacturer sold more than 4 million units in the month of December 1986.

While cordless products were taking off, suppliers were also trying to cultivate new customers with their professional-grade, more expensive power tools that promise higher sales and margins for dealers. The big question mark in recent weeks, though, is what effect U.S. tariffs on certain Japanese power tool imports will have on the supply and prices of these items.

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Perspectives

annual report

Building Materials: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	225.61	292.18	26.2	29.6	6.6x	5.8x	1.74	1.72
Lumber/building material outlets**	719.64	606.85	26.4	28.7	7.5x	7.1x	1.98	1.66
Hardware stores	106.39	95.33	34.2	33.1	4.0x	2.7x	1.38	0.89

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Housing starts boost building material demand

By an NHCN staff editor

NATIONAL REPORT — With the exception of fiberglass insulation, most building materials enjoyed healthy increases in demand in 1986 and many building material producers are looking to better their performances this year.

While most of the insulation makers reported consumption figures equal to 1985's, roofing manufacturers, gypsum producers and siding producers reveled in vigorous increases in demand for their products.

Strong housing starts continued to boost demand for building materials by contractors. But the aging American home and the continued thrust of commercial rehab activity made the building materials departments one of the busiest departments in home centers last year.

Despite some increases in price, drywall enjoyed one of its best years since 1979.

Victor Abnee, executive vp of the Gypsum Association, said 1986 proved to be a record breaker with industrywide sales up 5 percent. In contrast to previous years, Abnee said 1986 was the first since the recovery that there were no shortages or retail allocations, a sign that the productive capacity of the industry is finally adjusting to housing demand.

"It was one of our best years," Abnee said. "Sales were up more than 5 percent industrywide and this even exceeded earlier estimates.

"Without a doubt, though,

(Continued on page 44)

Paint pricing wars slow down during 1986

(Continued from page 38)

est single specialty product group in its retail sales mix, contributing about 35% of total retail sales of which close to 90% were from paint manufactured by the company's paintmaking subsidiary.

Glidden changes name

In other major paint-related developments last year, Glidden Coatings and Resins shortened its name to "The Glidden Company." The name change came in the wake of parent company Hanson Industries agreeing to sell most of the Glidden coatings and resins businesses of its SCM Corp. to Britain's Imperial Chemical Industries PLC for $580 million.

The shortened name was reflected in a new company logo used on stationery and business cards, said Charles Carpenter, marketing services director for Glidden.

Glidden reported that the U.S. paint market is the largest in the world and the acquisition makes ICI the third-largest producer in the U.S. coatings and resins industry, which has $9 billion a year volume.

The latest "Bottom Line" study of the DIY industry conducted by the National Retail Hardware Association said that home centers' paint and home decorating sales per square foot were $143.42 compared with $129.37 per square foot in the 1984 study. (Statistics from 1985 are the most recent available).

Home centers' gross margins in this category were an average of 33.9%.

Turnover in paint—the sales to inventory ratio—in home centers fell slightly, to 6.1 times annually from 6.6 times in 1984. Gross margin return on investment also fell in 1985, to 2.06 from the prior year's 2.48.

Hardware stores, meanwhile, had a lower paint turnover rate in their stores compared with home centers—an average of 4.6 times in 1985. Hardware stores sold paint at substantially higher margins—39.4%, according to the NRHA study.

Lumberyards, in contrast, reported that paint and home decorating sales generated a gross margin of 34.7%, annual turns of 4.2 times, and $172.86 sales per square foot.

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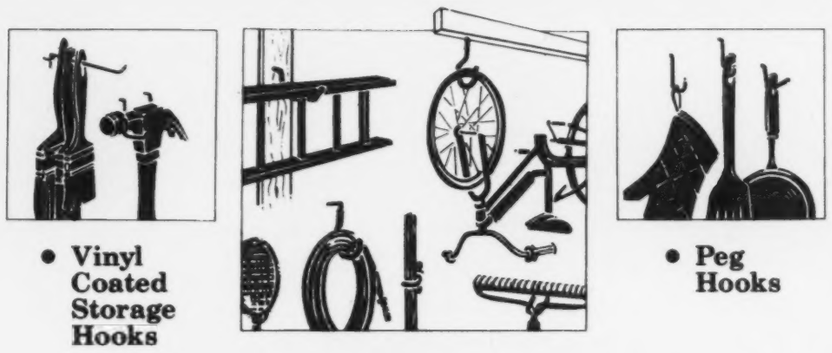

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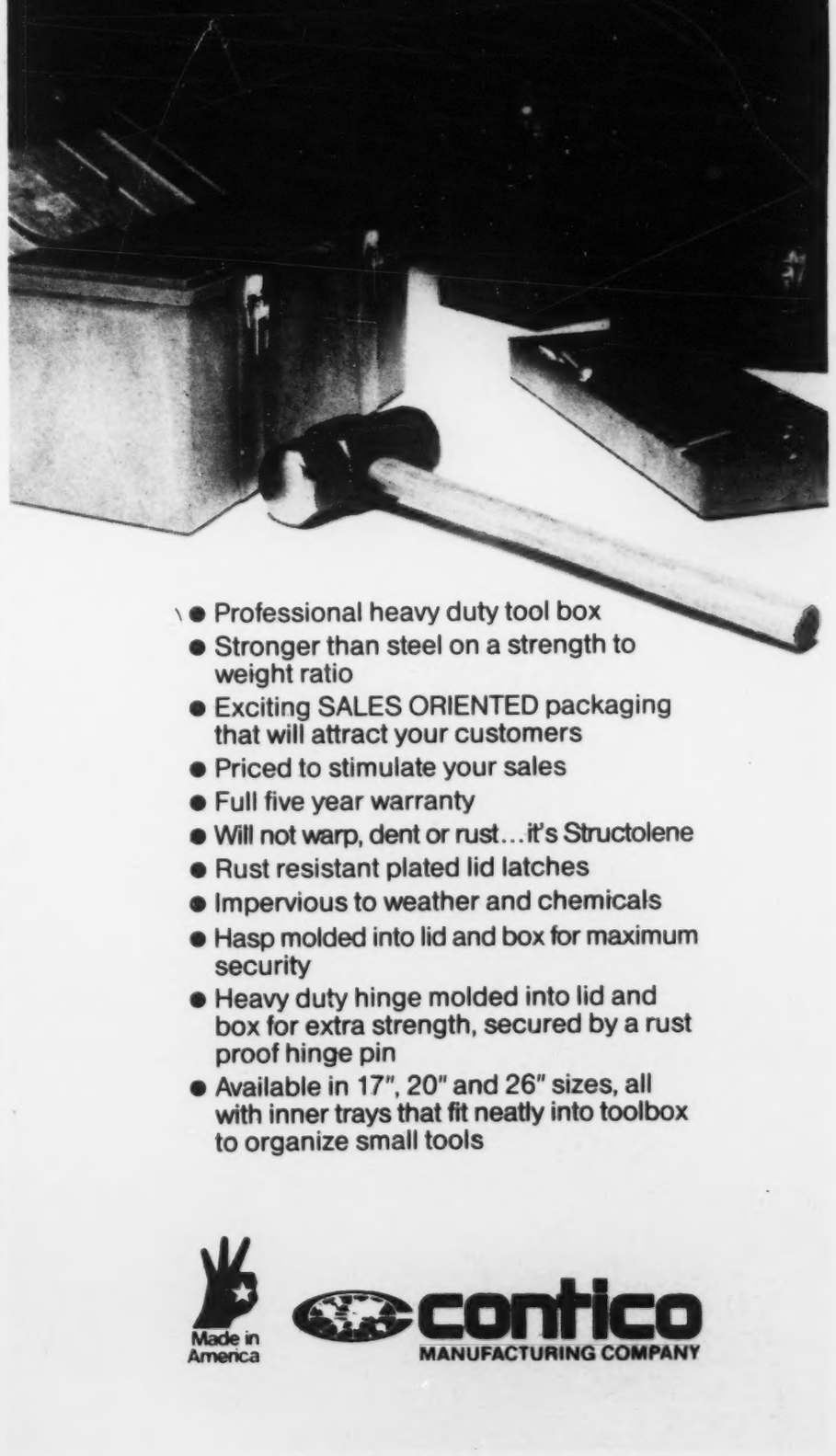

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Perspectives

annual report

Better packaging propels electricals into popularity

By an NHCN staff editor

NATIONAL REPORT — More sophisticated DIYers and a rapidly increasing supply of better-packaged electrical products combine to propel the electricals category into greater importance in home improvement outlets, especially at home centers.

According to the Bottom Line Reports prepared by the National Retail Hardware Association, (NRHA), electricals merchandise is increasingly more popular in home centers, hardware stores and lumber and building materials outlets.

Electricals products are sold by almost all DIY retailers and provide them with some of the best gross margins in their stores, from 33 percent to more than 37 percent on the average. Only hardware merchandise get better margins, from 37.7 percent to 44.1 percent.

Fueling the growth is a plethora of products from switchplates to chandeliers. Particularly popular items include security and outdoor lighting products, programmable thermostats, extension cords, cables, ground fault connectors, surge suppressors and light bulbs, among many others.

Electrical Supplies: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	121.19	130.32	37.3	36.5	5.0x	4.8x	1.87	1.76
Lumber/building material outlets**	118.68	147.41	41.4	39.9	4.5x	4.6x	1.86	1.85
Hardware stores	149.06	177.62	35.7	33.4	3.7x	5.2x	1.32	1.72

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Much of the category's growth is associated with advances in product packaging and in-store merchandising. Increasingly, electrical products are packaged in more user-friendly, color-coded wrappers that feature product uses, pictograms and plain English.

In 1985 (the last year for which data is now available) more than 85.6 percent of the surveyed lumber/building materials outlets added electricals departments to their mix,

(Continued on page 48)

Building materials enjoy increases

(Continued from page 42)

one of the reasons we've seen the growth is due to the growing awareness of gypsum's fire resistance."

Because drywall enjoys a diversified market ranging from commercial, residential and mobile home, Abnee is confident 1987 will better 1986's performance. He noted that production for 1987 as of the end of March was 5 percent better than in 1986.

In roofing, manufacturers and retailers enjoyed one of the best years yet.

From an industry sales point of view, all records were broken with more than 88 million squares sold in 1986, up substantially from the 80 million sold in 1985, according to John Brennan, Asphalt Roofing Manufacturers Association.

Brennan said reroofing—the rehabing of aging homes—accounted for 60% of last year's consumption. But Brennan is worried that with changes in the tax code, commercial construction will probably fall off in 1986 and precipitate a softening in demand.

The roofing sector's upbeat performance in building materials in 1986 was underscored by Jim Worden, a marketing and communications officer for the Roofing Products Division of Owens-Corning Fiberglas.

Worden noted that roofing remains a very cyclical business, tied in intimately with

> In roofing, manufacturers and retailers enjoyed one of the best years yet.

new housing construction, but reroofing accounted for much of the market share O-C Roofing garnered in 1986. In addition, the introduction of some roofing profiles from previous years, notably fungus-resistant shingles, laminated shingles and a new kind of waterproofing adhesive, has helped to deepen the company's penetration in the market.

By both retail and manufacturing consensus, insulation experienced a flat year, with O-C continuing to command the lion's share of the market with its Pink Panther product.

According to the National Retail Hardware Association's (NRHA) most recent bottom line reports of home center category performances in 1985, building materials sales per square foot dropped considerably between 1984 and 1985. Despite the increased demand of all building material products, the NRHA reports that home centers made $225.61 per square foot in the category in 1985, compared to $292.18 in 1984. Gross margins dropped as well from 30% to 26.2% during the same time period.

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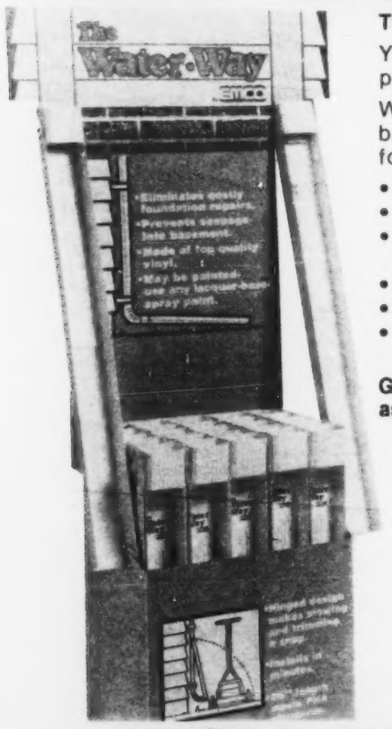

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Perspectives

annual report

Housewares: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	71.48	85.23	32.8	33.8	3.9x	3.1x	1.28	1.05
Lumber/building material outlets**	95.61	92.33	32.7	23.4	3.7x	2.3x	1.21	0.52
Hardware stores	71.47	71.16	34.6	34.1	3.6x	3.0x	1.25	1.03

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

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GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Housewares bolsters penetration in DIY sector

By an NHCN staff editor

NATIONAL REPORT — The year 1986 will probably be remembered as the year of the ice cream maker, cordless appliances, the rise and fall of housewares expositions and renewed acceptance of the category among home improvement retailers.

While many industry retailers reportedly scaled down their involvement with housewares or abandoned it altogether, the 1986 Bottom Line Reports prepared by the National Retail Hardware Association (NRHA) paints a different picture.

The $45 billion at-retail industry advanced its penetration within the DIY sector, particularly in home centers, the report revealed. A growing proportion of these retailers have found they can adequately compete with de-

(Continued on page 54)

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Electricals gains popularity in retail outlets

(Continued from page 44)

up from 84.8 percent the year before.

(All home centers and hardware operators responding to the report carry electricals departments.)

Lumberyards, however, aren't buying and selling electricals as efficiently as their hardware and home center counterparts.

While more lumber/building materials outlets are stocking electricals and earning higher gross margins than ever before on the category—35.7 percent, up from 33.4 percent in 1984—sales per square foot declined from $177.62 in 1984 to $149.06 in 1985.

The sales to inventory ratio for electricals at lumberyards dropped to 3.7 from 5.2 and gross margin return on inventory (GMROI) fell to $1.32 from $1.72 between the two years.

In contrast, home center operators are the most efficient merchants of electricals, even though their sales per square foot declined to $121.19 from $130.32. The sales to inventory ratio rose to five from 4.8 and GMROI rose to $1.87 from $1.76. At the same time, gross margins rose to 37.3 percent from 36.5 percent.

Hardware stores achieved the highest gross margin, 41.4 percent, on electricals and maintained a steady sales to inventory ratio and GMROI, but recorded a substantial drop in sales per square foot, down to $118.68 from $147.41.

Despite the sales per space decline, the electrical department in hardware stores produce more sales than any other category except major appliances and home entertainment products.

Hardware retailers also dedicate more floor space to electricals than do lumberyards and home centers, and derive a larger percentage of their net sales from the category. These dealers apportion nine percent of their floor space and get 10.4 percent of their net sales from electricals, compared to 8.4 percent of the sales floor and 4.5 percent of net sales in home centers.

Lumberyards dedicate 5.5 percent of their sales floor to electricals, but get just three percent of their net sales from electricals.

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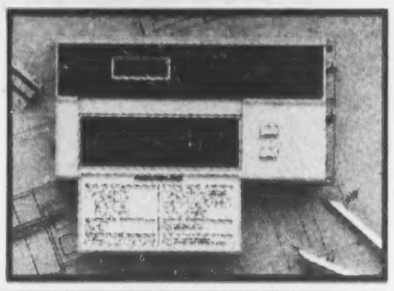

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Perspectives annual report

Lumber: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	389.12	364.21	25.0	25.5	6.9x	8.3x	1.72	2.11
Lumber/building material outlets**	986.83	769.24	23.8	24.3	7.3x	6.5x	1.73	1.56
Hardware stores	108.69	63.65	28.6	28.1	3.5x	3.5x	2.6	0.72

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Canadian tax and price swings mark 1986 in lumber industry

By an NHCN staff editor

NATIONAL REPORT — Not since the late '70s has lumber experienced the price and demand volatility that characterized the market in 1986.

By many measuring sticks, the production and selling of lumber and structural panels broke records and gave producers (with the exception of Canadians, who were hammered by an export tax and long strikes), some encouraging returns for the first time since 1978.

Among the noteworthy developments in 1986 were:

- Consumer and professional demand enjoyed its third consecutive year of record consumption. Lumber consumption in the U.S. was 46.8 billion board feet, six percent greater than 1985, with DIY remodeling and repair accounting for more than 28 percent of all consumption.
- Prices for both lumber and plywood were topsy-turvy throughout the year. Prices rose with the onset of mill strikes and the export tax, but dropped when increased production and mild winter weather lengthened the building season in cold areas. *Random Lengths'* framing lumber composite ended the year at $204 per thousand board feet, up $17 from 1985.
- The threat of a tariff on lumber imports was finally resolved when Canada erected an export tax on lumber headed to the U.S. Despite the 15 percent price hike, demand did not suffer and actually seemed to expand when British Columbian forest workers ended their five-month-old mill strike in November.
- When the export tax was added to the exchange between the U.S. and Canadian dollar, Canadian forest products exporters saw less profit in 1986 and the first signs of market resistance in the first quarter of 1987. In the last quarter of 1986, the Canadian dollar hit 69 cents and rose to 75 cents of U.S. value by the beginning of 1987. This meant that a sale of lumber to the U.S. at $200, a f.o.b. would have returned about $286 to a Canadian concern in the fall. But by the end of the year, the same $200 sale was only worth $227 when the export tax was subtracted.
- Structural panels had a mixed performance on production- and distribution-related issues, but became a strong participant to overall lumber sales in retail.

Panel production also bore further signs in 1986 that the nonveneer products are continuing to gain on plywood. But not only are the nonveneer panels gaining on veneer, many companies, notably Weyerhaeuser, have taken the new production technologies of oriented strand board and waferboard to create entirely new panel products. In the case of Weyerhaeuser, the firm introduced SuperStrand last year, a new kind of competitively priced OSB for contractors.

Overall panel production exceeded 25 billion board feet, 5 percent higher than 1985, with nonveneer accounting for 3.3 billion board feet.

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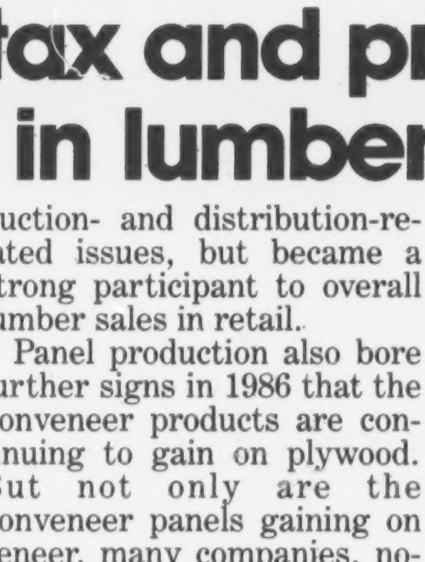

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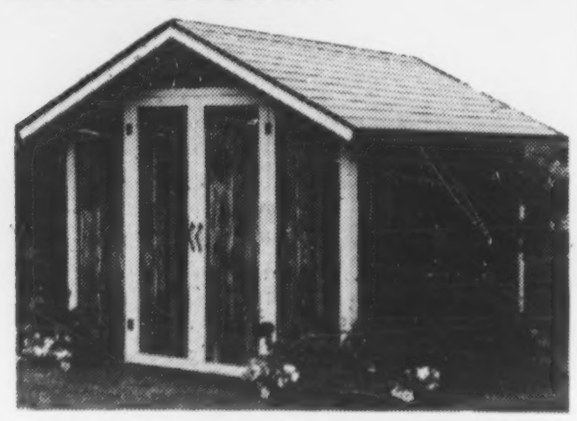

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Perspectives

annual report

Colorful packaging revs up hardware sales in 1986

By an NHCN staff editor

NATIONAL REPORT—Last year, retailers began putting pressure on manufacturers for more attractive and informative packaging on hardware items.

Color in packaging was cited as an important factor by retailers such as Stripling-Blake Lumber Co., Lowe's, A.C. Houston, Valu Home Centers of Buffalo, N.Y., and Robertson Companies of Grand Forks, S.D., as well as others.

Color serves to coordinate merchandising categories while contributing to consistent "aisle appeal," according to many retailers.

Lowe's has answered its own demands by redesigning its Lowe's-brand package nail program with color coding and additional information.

The topic of price increases was prevalent at the National Hardware Show held last August in Chicago.

At the show, William Sparker, senior vp-sales for Diamond F, the Cleveland-based lighting supplier said, "Prices simply have to go up with costs, due to an increase in raw materials, or we'll drop a line. We can't take a loss."

Also reported at that time was a 2.9 percent price increase by Stanley Hardware.

During the past year importers also found the need to hike prices to compensate for a

(Continued on page 56)

Hardware: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	130.67	140.78	40.2	40.0	4.7x	5.3x	1.88	2.13
Lumber/building material outlets**	136.03	138.64	37.7	33.6	3.8x	3.4x	1.43	1.13
Hardware stores	99.85	110.73	44.1	42.7	3.2x	3.6x	1.41	1.53

*A retail outlet which carries the basic hardlines of hardware; tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Housewares bolsters penetration in DIY sector

(Continued from page 48)

partment stores and mass merchants for housewares sales and can make money doing it.

For example, All American Home Center, Hechinger, Pergament and Chase-Pitkin all expanded their housewares offerings within the past year.

Particularly popular additions to housewares departments have been broader selections of small electric appliances, microwave cookware, storage products, cleaning supplies and some kitchen linens, among others.

Housewares departments were available in 65.5% of all home centers in 1985 (the last year for which data is available), up from less than half that in 1984. A steady 87 percent of all hardware stores offered housewares in 1985 and 20.3 percent of all lumberyard operators surveyed reported selling housewares, up slightly from a flat 20 percent the year before.

Buying and selling efficiency of housewares merchandise rose substantially last year, with advances led by lumber/building materials dealers.

Gross margin return on inventory (GRMOI) at lumberyards soared from 52 cents in 1984 to $1.21 in 1985. At the same time, gross margins rose to 32.7 percent from 23.4 percent, and the sales to inventory ratio for housewares rose to 3.7 from 2.3.

Productivity also improved markedly for home centers and hardware stores. Both recorded an increase in GMROI to $1.28 and $1.25, respectively.

Home center operators recorded a big improvement in their sales to inventory ratio, which increased to 3.9 from 3.1. Gross margins, however, eroded by one percentage point to 32.8 percent.

Gross margins at hardware stores inched up to 34.6 percent from 34.1 percent the year before, and the sales to inventory ratio edged up to 3.6 from 3.0.

Sales per square foot were varied among the three retailing operations. They were fairly flat at hardware stores, $71.47 in 1985 compared to $71.16 the year before. Sales per square foot declined at home centers, falling to $71.48 from $85.23, but jumped about $14 to $95.61 at lumberyards, according to the Bottom Line reports.

Hardware stores carrying housewares dedicated more floor space to the merchandise than the other two retailing groups, 11.4 percent, compared to 4.6 percent for lumberyards and 4.2 percent for home center operators.

Housewares sales generated 8.9 percent of a hardware store's net sales—the highest of the three groups—compared to 3.4 percent at home centers and 2.2 percent for lumber/building materials dealers.

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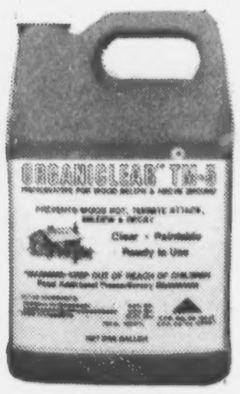

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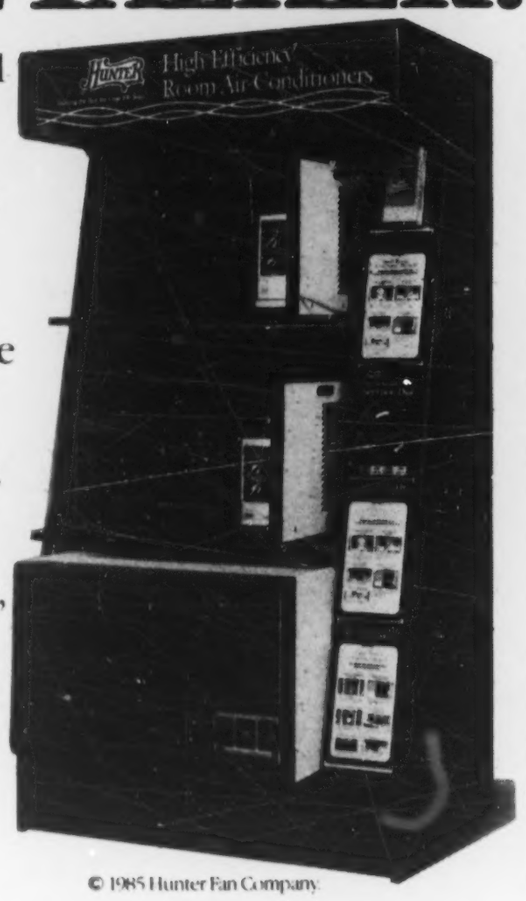

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Perspectives

annual report

Lawn and garden category experiences banner year

Lawn & Garden: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	125.27	117.01	31.3	33.2	5.0x	5.3x	1.54	1.76
Lumber/building material outlets**	130.32	175.27	33.3	27.2	4.9x	5.0x	1.64	1.33
Hardware stores	115.59	115.65	36.3	35.4	4.6x	4.0x	1.66	1.40

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

By an NHCN staff editor

NATIONAL REPORT — It was a banner year for lawn and garden. Attendance at the lawn and garden expo in Louisville was up 50 percent over 1985. During the first half of 1986, it was reported that nursery revenues increased anywhere from 10 percent to 25 percent for retailers and growers.

Other developments in the lawn and garden arena include the introduction of bar coding [UPC labels] on live plants.

While the impetus for this action comes from large discounters such as K-Mart which are demanding better ways to keep track of green goods inventory, its appeal is likely to attract home center retailers.

In explaining the growth of nursery sales nationwide, Walter Rogers, director of corporate communications for General Host, Stamford, Conn., made reference to a Gallup survey which showed that lawn and garden was the largest outdoor activity done by Americans, which, the survey indicated, translates to 84 percent of Americans.

According to data in the Bottom Line Report from the National Retail Hardware Association, sales per square foot were up from $117.01 in home centers to $125.27 in 1985 (the last year for which data is available.). The percentage growth appears, however, to be particular to home centers. Lumberyards showed a decline in sales per square foot from $175.27 to $130.32. Sales at hardware stores were relatively static with a slight downward tilt from $115.65 to $115.59.

Gross margin percentages were up in both lumberyards and hardware stores. Lumberyards enjoyed a 6.1 percent jump while hardware store margins elevated 0.9 percent. Home centers saw a fall in gross margin percent-

(Continued on page 58)

Colorful packaging revs up hardware sales in '86

(Continued from page 54)

fluctuating yen.

Long Island City, N.Y., importer Atlas Hardware Co. experienced a nearly double increase from $1,700 to $3,200 per container load of tools and hardware over a several month period.

Hardware sales drop

In the Bottom Line Report of the National Retail Hardware Association, (NRHA), hardware sales at home centers dropped from $140.78 to $130.67 per square foot between 1984 and 1985 (the last year for which data is available).

Hardware sales were down as a percentage of total sales in lumber yards and hardware stores as well as home centers.

Sales to inventory ratio also took a dip in hardware stores and home centers, and raised 0.4 percentage points in lumber yards.

Hardware holds close to 10 percent of inventory in home centers and lumberyards, while it secures over 18 percent in hardware stores.

Hardware holds a gross margin close to 40 percent in all three categories with hardware stores being a bit higher and lumber yards lower, at 37.7 percent.

Overall, hardware sales as a portion of total sales in home centers are the lowest they've been in four years. Sales in 1985 were 2.0 percentage points lower than the 11.1 percent high earned in 1983 and turns also slumped from a 1984 high of 5.3 times to a 1985 low of 4.7 times. 1981 remains the low year with sales per square foot at 7.3 percent.

Conversely, in hardware stores, 1981 marked the year with the highest percentage of hardware sales to total sales, at 22.2 percent, reaching the low last year at 16.5 percent.

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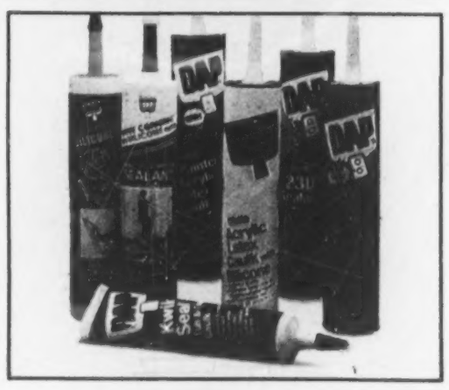

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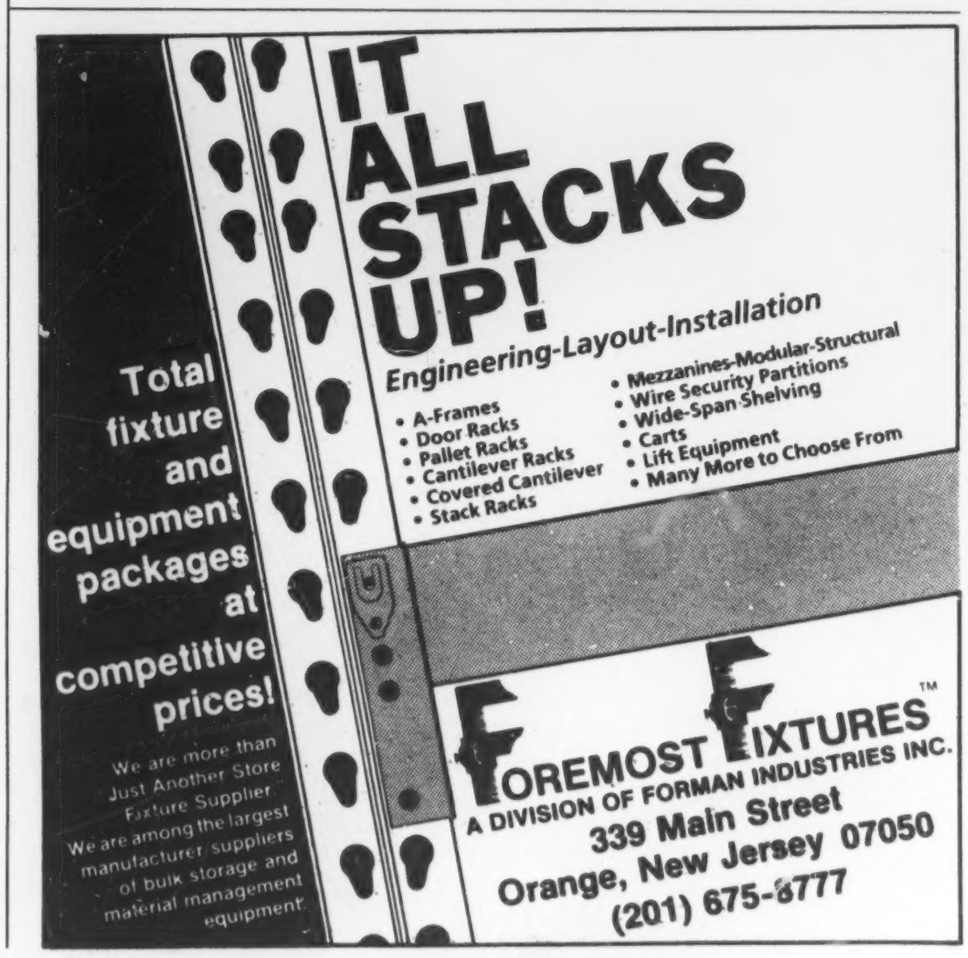
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Perspectives

annual report

European look adds sparkle to plumbing departments

Plumbing: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	130.72	143.50	36.9	37.6	5.1x	5.1x	1.82	1.92
Lumber/building material outlets**	156.64	198.75	34.3	30.9	3.9x	4.1x	1.32	1.24
Hardware stores	111.53	137.57	44.1	43.0	4.6x	4.5x	1.98	1.85

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

By an NHCN staff editor

NATIONAL REPORT — Although the bathroom continues to be the "hot" sell in home centers, plumbing, heating and cooling sales have not yet reached the portion of total revenues expected by many retailers.

The movement of high-end products—like European and decorative-look faucetry and higher quality sinks of varying colors and materials—made its mark last year.

The National Retail Hardware Association's (NRHA) annual "Bottom Line" figures indicate turnover and margins stayed flat or eroded in 1985 (the last year for which data is available).

While the European look arrived in great force last year, plumbing, heating and cooling sales in home centers dropped one percentage point to 6.6 percent of total sales. Yet an *NHCN* survey in April 1986 of 50 retail companies and 38 manufacturers found dealers expected plumbing and bath sales to account for 12.1 percent of total sales.

In hardware stores, net sales of plumbing, heating and cooling products as a percentage of all sales slipped more than two points to 13.5 percent comparing 1985 to 1984. Sales in the category dropped 1.2 points to a total of 3.8 percent of total lumberyard sales.

Sales per square foot in the category dropped more than $13 in home centers to $130.72 in 1985 from a four-year record high of $143.50 in 1984.

Lumberyard and hardware store sales per square foot of the product also fell in 1985 compared to 1984; lumberyards experienced a $42.11 drop per square foot and hardware stores a $26.04 per square foot drop in sales.

The "Bottom Line" results showed gross margin return on investment (GMROI) at home centers weakened slightly, to an average $1.88 in 1985 versus $1.92 in 1984. Plumbing inventory turns at home centers stayed at an average 5.1 for both years.

Hardware stores were able to slightly increase sales to inventory ratio (from 4.5 percent in 1984 to 4.6 percent in 1985), but boosted gross margins to $1.98 from $1.85 in 1984. Lumberyards were likewise able to boost gross margins from $1.24 to $1.32, 1985 over 1984, but lost a bit of ground on turns.

Lawn & garden experiences banner year

(Continued from page 56)

ages from 33.2 percent to 31.3 percent.

Looking back over the past five years at lawn and garden performance in home centers, 1985's higher sales do not translate to an increased percent of net sales. 1985 was second to the bottom at 5 percent, with 1981 lowest at 4.6 percent.

Lawn and garden's best of the past five years with regard to this percent was 1983 when 9.4 percent of net sales was secured.

Hardware store category

In the hardware store category, lawn and garden made up 11.0 percent of net sales. In a five-year history, this was second only to 1982 when 11.3 percent was secured by lawn and garden.

The low year for hardware was 1983 with 9.5 percent of net sales.

Gross margin return on investment peaked in 1985 at $1.66, up from $1.40 in 1984.

And, in the lumber store category, 1985 was near the top of net sale percent at 1.6 percent, second to 1981 with 1.7 percent.

Sales per square foot for the category at lumberyards took a relative plunge in 1985 at $130.32, down from $175.27 in 1984.

Sales to inventory ratio moved only slightly from 5.0 times to 4.9 times.

Gross margin return on investment also enjoyed a five-year high in lumber yards at $1.64, up from $1.33 in 1984.

Developments in 1986

And 1986 brought some interesting developments to the field.

In an attempt to perhaps outdo mother nature herself, Weyerhaeuser, the forest products giant, introduced a preservative of sorts for dead plants which ensures that color is never lost and maintenance never required.

Though the plants are dead, they maintain the feel and appearance of a living plant.

In the "greener grass" category, a Canadian entrepreneur, Barry Linder, created a process for turning dead grass green with an aerosol product called Lawn Makeup.

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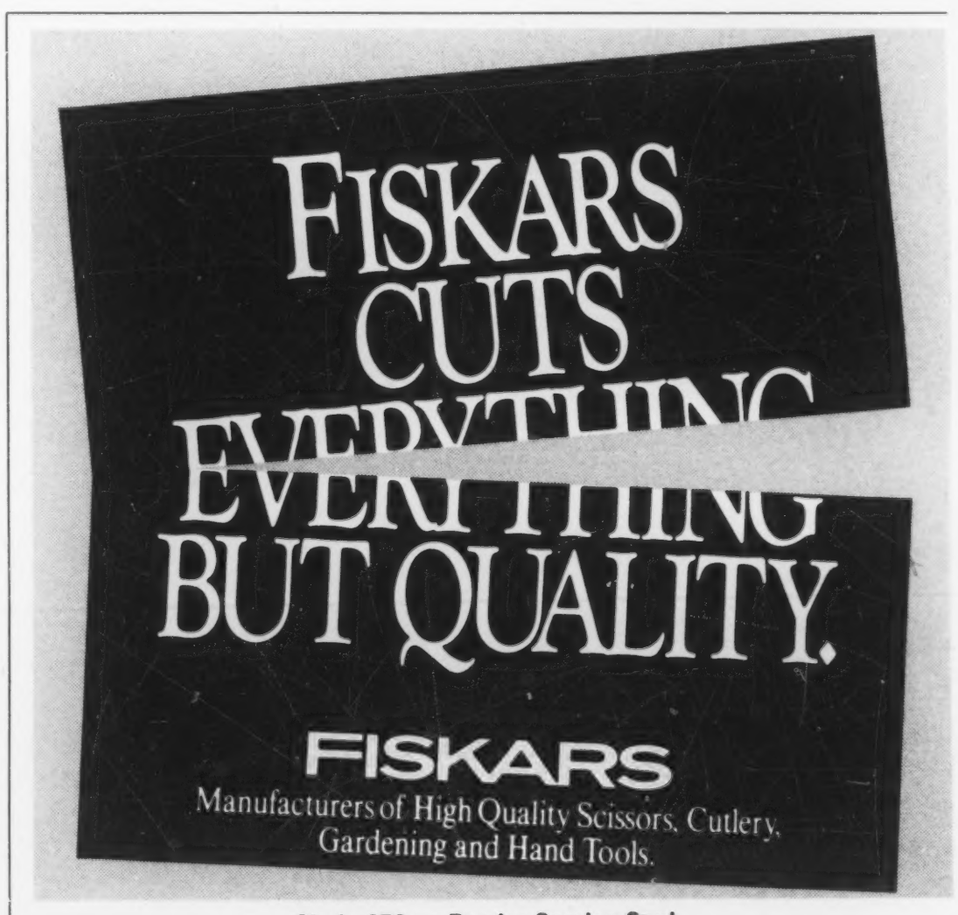

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Perspectives

annual report

California, Texas and Florida top state sales list

By an NHCN staff editor

NATIONAL REPORT — Building material retailers in California will have a lot to smile about—maybe $10 billion worth of smiles—if projections from *Editor & Publisher's 1987 Market Guide* hold true.

According to *E & P's* annual survey of top retail markets this year, sales of building materials in California will soar to $9.9 billion, nearly five times the national average.

Editor and Publisher's annual market guides are based on U.S. Census data and the 50 states' economic forecasts.

Texas and Florida continued to hold on as the industry's second and third best markets. Despite its economic slump, Texas is projected to hit sales of $7.5. Florida should reach $5.1 billion. New York and Illinois maintained fourth and fifth position, with industry sales in those states expected to hit $4.5 billion and $3.6 billion respectively.

California is able to retain its perennial title as the top building material and total retail sales state despite having only one of its metropolitan markets, Los Angeles/Long Beach, in the top ten metro regions.

But what a market it is.

Los Angeles/Long Beach is not only the nation's leading retail and building material metropolitan sales market, but the metro area's lumber and building materials sales—projected to exceed $2.3 billion this year—is higher than that of 36 states. Just slightly lower than the state volume of Massachusetts, Los Angeles/Long Beach would be in the 12th position if it were a state measured on lumber and building material sales.

California is able to retain its perennial title . . . despite having only one of its metropolitan markets, Los Angeles/Long Beach, in the top ten metro regions.

The bounty that is California is also reflected by other measurements. Five of the top 21 metropolitan markets for industry-related retail sales are in California, with most of them improving on their 1985 ranking. Aside from the Los Angeles market, the other regions include Anaheim-Santa Ana (number 13 with projected sales of $1.08 billion, Riverside/San Bernardino (number 14 at $911 million), San Diego (number 17 at $800 million) and Oakland (number 21 at $731 million).

The retail sales survey for 1987 presented some grim outlooks as well, especially for oil-producing states.

With the exception of Dallas, which held its ranking as the industry's 12th largest retail market with sales expected to hit $1.05 billion, nearly all other cities in oil-producing states are expected to lose ground. Houston dropped from third place to sixth, Oklahoma City dropped from 24th to 26th and New Orleans went from 40th to 47th.

In one of the more arresting finds in this year's survey, the number of metropolitan areas that may enjoy lumber and building materials sales in excess of a billion dollars doubled. In the 1986 survey, Los Angeles, Chicago, Philadelphia, Houston, New York and Atlanta were slated to make sales over $1 billion. But the billion dollar club will add seven new member metro areas in 1987 to include Detroit (sales projected at $1.2 billion), Nassau-Suffolk, N.Y., ($1.1 billion), Minneapolis-St. Paul ($1.1 billion), Boston ($1.1 billion), the District of Columbia ($1.0 billion), Dallas ($1.0 billion) and Anaheim-Santa Ana, Calif. ($1.0 billion).

National Projection of Building Material Retail Sales

States	1987 Retail Bldg Mat'l Sales Rank	1987 Bldg Mat'l Sales Volume (in $ thousands)	Total Retail Sales Rank
Alabama	26	$1,305,816	24
Alaska	38	633,406	43
Arizona	23	1,438,382	23
Arkansas	33	841,886	31
California	1	9,997,757	1
Colorado	20	1,716,211	22
Connecticut	27	1,283,859	21
Delaware	48	278,697	46
District of Columbia	50	69,750	49
Florida	3	5,162,129	4
Georgia	11	2,513,539	11
Hawaii	49	261,098	40
Idaho	41	427,215	42
Illinois	5	3,618,849	5
Indiana	15	1,935,689	12
Iowa	29	1,216,762	29
Kansas	30	1,008,600	30
Kentucky	28	1,271,250	27
Louisiana	19	1,811,675	20
Maine	40	586,375	39
Maryland	22	1,486,190	13
Massachusetts	13	2,312,185	9
Minnesota	12	2,319,704	16
Mississippi	32	847,374	32
Missouri	17	1,884,267	15
Montana	43	404,342	44
Nebraska	35	708,287	39
Nevada	40	510,584	38
New Hampshire	36	694,703	37
New Jersey	10	2,531,165	8
New Mexico	34	712,666	33
New York	4	4,582,843	3
North Carolina	8	2,986,589	10
North Dakota	42	406,991	45
Ohio	7	3,251,940	7
Oklahoma	24	1,433,516	25
Oregon	31	922,787	28
Pennsylvania	6	3,612,726	6
Rhode Island	46	320,001	41
South Carolina	25	1,351,933	26
South Dakota	45	339,656	47
Tennessee	21	1,592,722	17
Texas	2	7,509,681	2
Utah	38	656,632	34
Vermont	44	340,854	48
Virginia	14	1,992,567	14
Washington	16	1,875,296	19
West Virginia	37	667,297	35
Wisconsin	18	1,835,569	18
Wyoming	47	305,203	50

Source: *Editor and Publisher* estimates

Top Metropolitan Markets for 1987

Rank (1986 Rank)	1987 Retail Bldg. Bldg. Mat'l Sales (in $ millions)	1987 Total Retail Sales Rank
1 (1) L.A.-Long Beach, Calif.	$2,290.5	1
2 (2) Chicago	1,667.3	3
3 (4) Philadelphia	1,433.7	4
4 (6) Atlanta	1,320.2	11
5 (5) New York	1,315.2	2
6 (3) Houston	1,283.8	10
7 (7) Detroit	1,191.6	6
8 (8) Nassau-Suffolk, N.Y.	1,182.6	8
9 (9) Minneapolis-St. Paul, Minn.-Wis.	1,169.7	13
10 (10) Boston	1,149.6	7
11 (11) Washington, D.C.	1,099.6	5
12 (12) Dallas	1,056.7	9
13 (13) Anaheim-Santa Ana, Calif.	1,008.1	12
14 (14) Riverside-San Bernardino, Calif.	911.1	23
15 (19) St. Louis	901.1	15
16 (15) Phoenix, Ariz.	887.6	16
17 (21) San Diego, Calif.	800.1	14
18 (17) Tampa-St. Petersburg, Clearwater, Fla.	788.3	19
19 (16) Denver	785.6	22
20 (18) Seattle	778.0	21
21 (22) Oakland, Calif.	731.3	18
22 (20) Baltimore	708.2	17
23 (27) Sacramento, Calif.	600.6	33
24 (23) Fort Worth-Arlington, Tex.	576.8	32
25 (28) Newark, N.J.	576.8	24
26 (24) Oklahoma City	517.4	44
27 (31) Austin, Tex.	559.0	49
28 (25) Pittsburgh	555.9	27
30 (26) San Jose, Calif.	555.5	28
31 (29) Kansas City, Mo.-Ill.	548.7	30
32 (32) San Antonio, Tex.	536.2	37
33 (30) San Francisco	528.2	20
34 (34) Orlando, Fla.	512.5	39
35 (35) Cleveland	487.4	26
36 (33) Miami-Hialeah, Fla.	473.4	25
37 (36) Charlotte, N.C.	472.3	42
38 (39) Bergen-Passaic, N.J.	459.6	31
39 (41) Cincinnati	448.3	34
40 (37) Monmouth-Ocean, N.J.	391.3	45
41 (43) Fort Lauderdale-Hollywood, Fla.	429.7	29
42 (45) Columbus, Ohio	422.8	35
43 (38) Indianapolis, Ind.	418.6	42
44 (42) Norfolk, Virginia Beach, Newport News, Va.	411.7	41
45 (46) Milwaukee	407.2	36
46 (44) Salt Lake City	406.4	54
47 (40) New Orleans	398.8	38
48 (48) Greensboro-Winston-Salem, N.C.	380.2	50
49 (47) Anchorage, Ala.	360.5	110
50 (49) Louisville, Ky.	359.5	52
51 (50) Portland, Ore.	342.4	40
52 (51) Hartford, Conn.	311.7	56
53 (52) Rochester, N.Y.	318.2	55
54 (—) Buffalo, N.Y.	209.7	60

Retailers shift to distributors for bldg. materials

By an NHCN staff editor

NATIONAL REPORT — Retailers are de-emphasizing "direct buying" of lumber and building materials from manufacturers, and shifting to independent distributors for supply of these products.

In fact, commodities distributors claim that even some warehouse home center chain operators who once portrayed independent building material distributors as unnecessary "middlemen" now rely on commodity-oriented wholesalers.

Other retailers are returning to distributors in part to compete in a changing marketplace where distributor-provided services have, in many instances, become more critical than direct-sourcing to get the lowest price.

"Most manufacturers are simply not capable of providing the services dealers need in these products," noted Jack Armstrong, executive vp for U.S. Plywood. "And now the sophisticated dealers are paying more attention to cash flow, the cost of money and making a profit on the sell side of the business."

Distributors' response

Responding to this retailer enthusiasm, distributors (which still get anywhere from 10 percent to more than 50 percent of their sales from drop shipment to contractor job sites) say they are improving the array of services and programs they are offering to retailers, including boosting sales assistance and educational services *(see other story)*.

"Five to seven years ago, it was a 'buy direct' craze," recalled Rich Viola, marketing manager for Furman Lumber, Boston, which counts The Home Depot among its major accounts.

"Now, retailers are looking at their GMROI's [gross margin return on investment]. They are asking themselves,

(Continued on page 66)

Leading Building Material Distributors

Company	Distribution Volume 1986	Units
Georgia-Pacific Corp. Atlanta, Ga.	$3.8 bil.	141
Weyerhaeuser Co. Tacoma, Wash.	$1.6 bil.	60
U.S. Plywood Corp. Wilton, Conn.	$980 mil.	44
Owens-Corning Fiberglas Toledo, Ohio	$380 mil.	25*
MacMillan Bloedel Hillside, N.J.	$340 mil.	13
Huttig Sash & Door† Chesterfield, Mo.	$290 mil.	42
Sequoia Supply Irvine, Calif.	$275 mil.	33
Boise Cascade Boise, Idaho	$250 mil.	9
International Paper Shawnee Mission, Kan.	$250 mil.	25
Furman Lumber Inc. Boston, Mass.	$237 mil.	21
Palmer G. Lewis Co. Auburn, Wash.	$235 mil.	18
Ply-Gem Industries New York, N.Y.	$226 mil.	17
Universal Forest Products Grand Rapids, Mich.	$187 mil.**	17
Pacific Supply Co. Sacramento, Calif.	$160 mil.	20

*Based on sales from 47 distribution centers, of which OCF closed 22 last year as part of its restructuring. The company currently has 20 DCs left open.

**On Dec. 27, 1987, Universal Forest Products purchased Far West Fir Sales, Huntington Beach., Calif., which included three distribution centers not added to the totals above. The company estimates its total sales in 1987 related to commodities distribution to be between $350 million and $400 million.

†Huttig specializes in millwork distribution.

Source: *NHCN* Research, company officials.

Low mortgage rates fuel remodeling activity

By an NHCN staff editor

NATIONAL REPORT — Consumers spent an estimated $92.9 billion remodeling their homes last year, a 15.9 percent increase over 1985, according to a Merrill Lynch economist.

This year, that total is expected to top the $100 billion mark, forecasted Richard Mount, senior economist and manager of housing construction material research for Merrill Lynch Economics.

He said activity should rise about 11 percent to $102.2 billion.

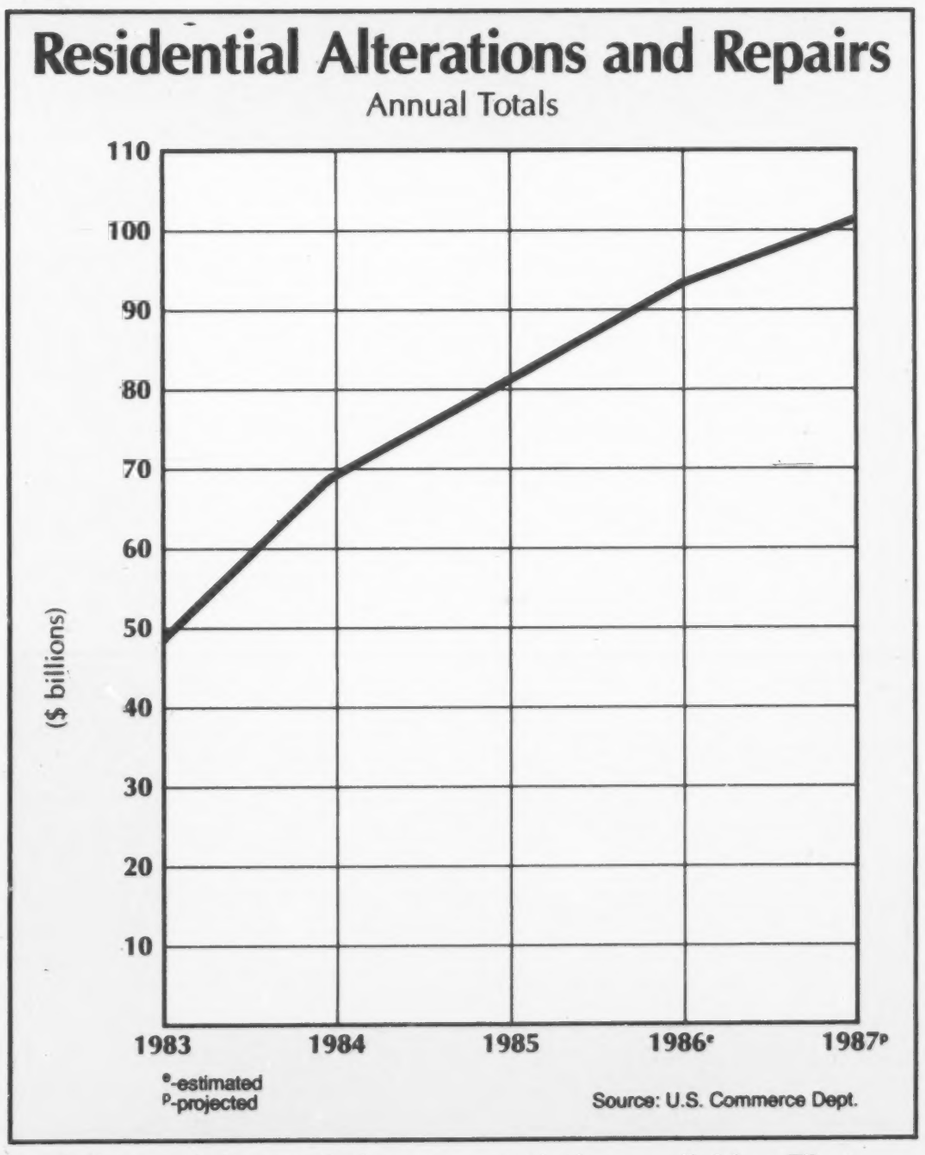
Mount said activity will be fueled by strong housing starts and resales numbers recorded early this year and the availability of home equity financing as encouraged by the new tax law. Recently higher interest rates should make remodeling more attractive than buying a new home, he said.

The big increase in remodeling recorded in 1986 was fueled by relatively low mortgage rates, which hit 9.5 percent for 30-year loans in many areas of the country. The low rates helped cause both housing starts and resales, to increase over 1985.

These conditions also encouraged more high-ticket remodeling projects, said Gopal Ahluwalia, assistant staff vp at the National Association of Home Builders (NAHB).

Ahluwalia estimated remodeling activity totaledmore than $90 billion last year. "I'll peg it up to $90 billion easily," said Ahluwalia, noting he is redoing his estimate.

Recently, the Commerce Department issued a report on third-quarter 1986 remodeling activity, the most recent statistics available. That report stated that total expenditures for maintenance, repairs and construction improvements was a seasonally adjusted $102.5 billion, 23 percent above second-quarter 1986 and 30 percent above the same quarter in 1986.



This number surprised both Mount and Ahluwalia causing both men to amend earlier forecasts for 1986 remodeling activity. As late as early April, Mount predicted 1986 remodeling activity would total $88.7 billion. Ahluwalia had projected $87 billion.

Mount now estimates fourth quarter 1986 will produce $94 billion in seasonally adjusted remodeling activity.

Fourth-quarter remodeling statistics should be available this month and first-quarter 1987 is scheduled for release in August, which would bring the Commerce Department current, a spokesman said.

According to the third-quarter report, almost half the $102.5 billion, or $62 billion, in maintenance and repairs was identified as "Improvements." Of that, $42.6 billion was in additions and alterations and $19.4 billion was in major replacements.

Although the improvements category accounted for the lion's share of total expenditures, maintenance and repairs, the other category, produced the larger quarterly increase.

Maintenance and repairs totaled $40.5 billion in third-quarter 1986, up 36 percent from second-quarter 1986 and 3.8 percent from fourth-quarter 1985.

The improvements category, however, recorded the larger annual increase, up 35 percent from third-quarter 1985. Expenditures rose 15.8 percent from the second quarter to third quarter 1986.

Additions and alterations rose 7.5 percent from second-quarter 1986 and 37 percent from third-quarter 1985. Major replacements rose 39.5 percent and 32 percent respectively during this third-quarter period.

Expenditures by Residential Property Owners

Seasonally adjusted for 1986
(millions of $)

1986	Improvements			Maintenance & Repairs	Total Expenditures
	Additions & Alterations	Major Replacements	Total		
1st qtr.	33,900	20,200	54,100	37,700	91,800
2nd qtr.	39,600	13,900	53,500	29,800	83,000
3rd qtr.	42,600	19,400	62,000	40,500	102,500

Source: U.S. Commerce Department

NBMDA: Education is major priority

By an NHCN staff editor

DEERFIELD, Ill. — The National Building Material Distributors Association (NBMDA) has targeted education as a major priority for its distribution membership.

James C. Stanley, NBMDA's director of education, said the NBMDA has formed an education committee which meets two or three times a year. The association has 300 distributor members who operate 1,500 distribution locations in the U.S., Canada and two countries overseas.

At a meeting held in early May, manufacturers, for the first time, were invited to participate on the committee. Attendees included Armstrong World Industries, Koppers Co. and Olympic Stain.

NBMDA asked manufacturers to participate "because of the expertise they carry in training," said Stanley, noting that Armstrong operates a studio for videotaping, "which is virtually unheard of among distributors.

"We have opened things up to get the manufacturers' expertise to combine efforts to put out an education program that will help the retailers," he said.

Providing better service

Chairman of the committee is Paul Hylbert, president of Sequoia Supply, Irvine, Calif.

"The education committee is faced with a critical issue: How do we provide better service to our customers," explained Hylbert. "The way we provide it is by having better-educated members. The better training and education we can provide to our salespeople, drivers and warehouse personnel, the better we can provide services to our retail customers."

Educating management

For the past three years, NBMDA has offered continuing education for middle management. For top management, the chief executive and owner-operator, NBMDA sponsors a annual leadership conference.

"The continuing education program targets training of distribution personnel, where there is constant turnover," Stanley said. Topics covered include program selling, inventory control and how to use computers more effectively.

Stanley said there is a shortage of qualified people in the wholesale distribution network. For distributors to expand their customer base will require better-trained salespeople.

Perspectives

annual report

Retailers shift to distributors for building materials

(Continued from page 64)

'Should I pay 10 percent more and turn my inventory 10 times a year instead of six times a year [from direct-shipped items]?' "

The importance of commodities distributors is best demonstrated by the fact that Lowe's and Wickes were the two biggest customers of the 13-warehouse MacMillan Bloedel Building Materials, Hillside, N.J., according to the company's sales manager Bob Borstelmann.

And last year, Boise Cascade saw the pendulum swinging back in favor of the commodities distributors and developed a national accounts department "to get greater penetration with some of the larger chains," said general manager Art Phillips.

Industry growth one key

James C. Stanley, director of education of the Deerfield, Ill.-based National Building Material Distributors Assn. (NBMDA), said industry consolidation has been a major factor in the distributor's changing role.

"Since 1983, we have seen the number of players in the market consolidate," said Stanley. "But, overall, the market has expanded. The bigger distributors are getting stronger and stronger."

Last year Canfor USA severely streamlined its distribution operations.

Company president Harry Unruh said the Boise, Idaho, firm sold operations in Kansas, Texas, California and Oregon, but kept its New England division and expects to post sales of $60 million in 1987 compared with $122 million last year.

Unruh said economic factors were not to blame for Canfor's cutbacks: "We just scaled down; we had to get rid of our losers." Canfor now concentrates on remanufacturing of pine boards cut-to-length and shipped to home centers nationwide.

The NBMDA's Stanley, meanwhile, said some members also express concern with the expanding market share of programmed wholesalers and co-ops that are selling direct. But he added that "there have always been issues that take business away from wholesale distributors."

Optimistic outlook

Most building products distributors expressed their future prospects in positive terms, however.

"You can't eliminate the need for a distributor," said Dick Lundgren, Weyerhaeuser's national manager, special building products for its western region sales and marketing division. "Somebody has got to do the function. The distributor is more important today than two or three years ago."

Lundgren is former president of Palmer G. Lewis and past chairman of NBMDA's strategic planning council.

Paul Hylbert, president of Irvine, Calif.-based Sequoia Supply (which recently spun off from Wickes Cos.), added that the retailers' direct-buying issue "is not on the forefront as much as when warehouse chains were at their zenith.

"More retailers are recognizing the cost of distribution and the value of having independent distributors out there to provide materials and services on a timely basis."

Dealers also "aren't as price oriented as they once were. They are most oriented to the service aspect," noted Jim Ben Edens, president of PGL Building Products, the Auburn, Wash.-based Palmer G. Lewis subsidiary. "Home centers are looking at their total procurement costs, not just if they can save an extra penny."

"I wish I could tell you it is because we are doing our job better, but it is actually a combination of a lot of things," he said.

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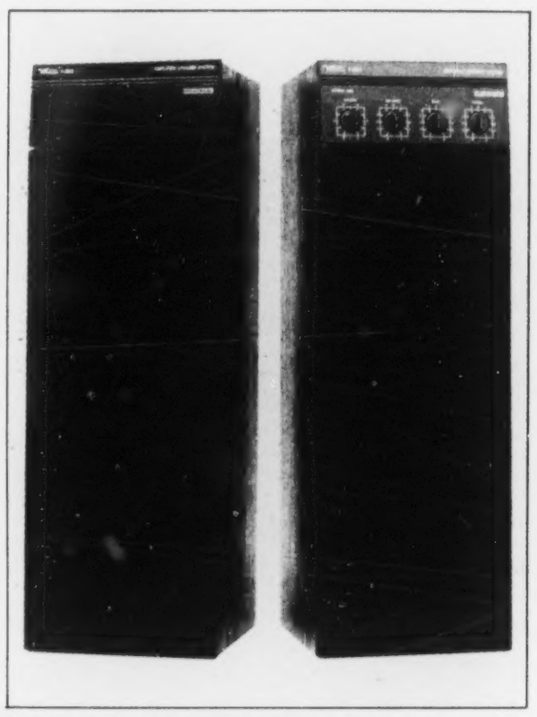

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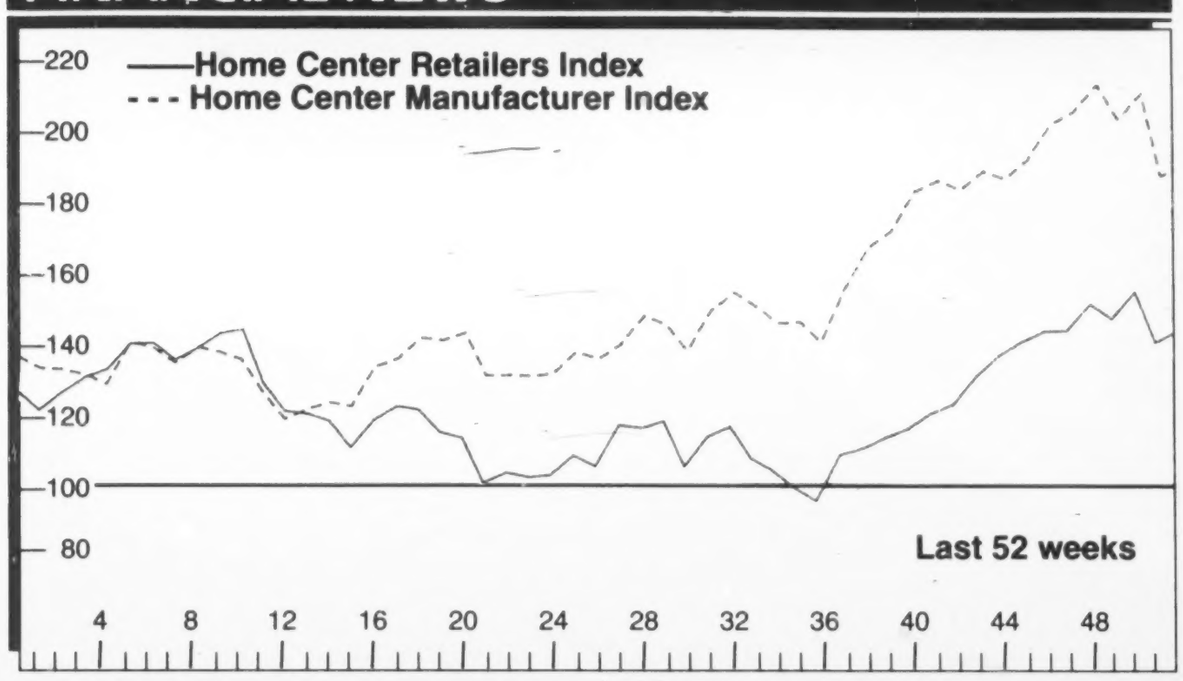
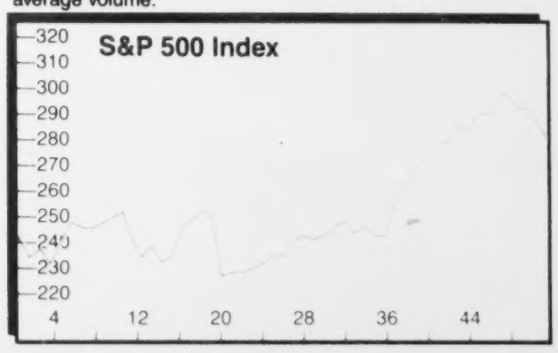


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
5-1-87	(100)	%	%
Mich General ..... A	10,873	- 18.2	305.3
Black & Decker ..... N	51,536	12.9	212.3
Supermkts Gen ..... N	100,328	9.8	186.8
Masco Corp ..... N	34,728	- .7	183.2
Armstrng Wrld ..... N	15,484	.7	173.9
Walter, Jim ..... N	12,226	- .2	169.2
Grace W R ..... N	43,493	2.5	169.2
Lowe's Cos ..... N	14,684	- 10.3	155.9
Certain-teed ..... N	3,573	15.7	144.2
Potlatch Cp ..... N	3,231	- 7.6	143.0

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 5-1	2-Week Price Change	Total 2-Week Volume
5-1-87	$	%	(100)
Certain-teed ..... N	3,573	40.50	15.7
Black & Decker ..... N	51,536	21.88	12.9
Supermkts Gen ..... N	100,328	45.00	9.8
Natl Lumber ..... M	1,186	6.25	8.7
Waxman Ind ..... M	1,188	10.88	7.4
Emhart Corp ..... N	6,530	41.75	7.1
Stanley Works ..... N	8,265	32.88	6.0
USG Corp ..... N	10,118	39.00	5.8
Hechinger B ..... M	1,441	22.75	5.8
Owens Corn ..... N	27,917	28.38	5.1
Losers	**$**	**%**	**(100)**
Mich General ..... A	10,873	1.13	- 18.2
Allegheny Int ..... N	10,607	21.00	- 13.4
Svc Merchandise ..... M	15,585	5.50	- 12.0
Natl Hardgoods ..... M	96	8.00	- 11.1
Lowe's Cos ..... N	14,684	26.25	- 10.3
Wickes Cos ..... A	84,687	3.25	- 10.3
Payless Cash ..... N	10,567	22.13	- 9.2
Zayre Corp ..... N	30,218	23.63	- 8.7
Potlatch Cp ..... N	3,231	70.25	- 7.6
Macmillan Bloedel ..... M	19,683	19.00	- 6.7

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 5-01-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Forest City Ent ..... A	35.38	- 2.13	- 5.7	37.25	35.00	39.38	28.75	46	.06	.03	100.0	21.6	.30	.8	.....	fiscal	01-87	39.1	- 51.7	2.5	19.0	.31	14.8	232.8	- 17.2	13.1	129.8	1.64	127.8
Grace W R ..... N	66.38	1.63	2.5	69.00	63.25	69.00	45.25	43,493	10.47	3.89	169.2	NE	2.80	4.2	NEW	3 mos.	03-87	962.6	- 23.0	39.3	NE	.83	NE	962.6	- 23.0	39.3	NE	.83	NE
Grossman's Inc ..... M	9.88	- .13	- 1.3	10.00	9.75	11.25	6.75	1,722	.86	.63	36.5	NE	.00	.0	NEW	3 mos.	03-87	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A ..... M	22.50	1.00	4.7	22.50	21.00	23.59	16.00	5,059	4.63	3.79	22.2	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	22.75	1.25	5.8	22.75	21.00	23.75	16.25	1,441	.88	.41	114.6	24.7	.06	.3	.....	fiscal	01-87	140.3	20.1	8.7	31.8	.28	27.3	588.4	22.8	28.3	22.5	.92	17.9
Home Depot ..... N	28.00	- 1.25	- 4.3	29.38	26.00	30.75	15.88	15,071	5.42	3.20	69.4	31.1	.00	.0	.....	fiscal	01-87	273.9	34.5	7.7	196.2	.27	145.5	1011.5	44.4	23.9	191.5	.90	172.7
INTERCO Inc ..... N	40.25	- 1.25	- 3.0	41.50	37.13	47.63	36.63	13,500	4.74	2.41	96.7	12.9	1.60	4.0	NEW	fiscal	02-87	651.5	11.7	31.0	.3	.99	2.1	2613.7	4.1	98.6	6.8	3.13	7.2
K mart Cp ..... N	60.50	- .75	- 1.2	61.50	56.88	68.00	43.25	55,557	4.17	2.33	79.0	13.9	1.74	2.9	.....	fiscal	01-87	6934.7	2.7	301.4	2770.5	2.11	2244.4	23812.4	6.2	598.7	170.7	4.35	151.4
Lowe's Cos ..... N	26.25	- 3.00	- 10.3	29.75	25.00	41.50	22.50	14,684	3.71	1.45	155.9	18.6	.40	1.5	.....	fiscal	01-87	497.4	4.6	10.0	- 11.5	.25	- 19.4	2283.5	10.2	55.1	- 7.7	1.41	- 14.0
Mich General ..... A	1.13	- .25	- 18.2	1.63	0.25	4.50	.25	10,873	6.08	1.50	305.3	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	8.00	- 1.00	- 11.1	9.00	7.75	10.00	6.59	96	.78	1.71	- 54.4	11.4	.00a	.0	NEW	fiscal	01-87	10.6	17.8	.5	400.0	.35	400.0	36.4	8.7	1.0	100.0	.70	94.4
Natl Lumber ..... M	6.25	.50	8.7	6.75	5.25	7.50	4.00	1,186	2.11	.97	117.5	NE	.00	.0	NEW	fiscal	01-87	40.2	17.2	(1.9)	NE	(.35)	NE	151.3	11.3	(2.4)	NE	(.43)	NE
Pay n Pak ..... N	20.00	- .88	- 4.2	20.88	20.00	20.88	9.50	5,702	5.70	6.29	- 9.4	35.1	.40	2.0	.....	fiscal	02-87	83.2	11.7	.4	- 69.2	.04	- 69.2	398.4	19.4	5.7	- 30.5	.57	- 30.5
Payless Cash ..... N	22.13	- 2.25	- 9.2	24.75	21.50	27.00	15.88	10,567	3.05	1.97	54.8	17.7	.16	.7	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc ..... N	12.88	.00	.0	14.13	12.50	18.13	12.00	1,866	1.29	.69	87.0	17.4	.52	4.0	NEW	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck ..... N	52.50	.63	1.2	54.88	50.63	56.00	39.00	119,774	3.21	1.48	116.9	13.6	2.00	3.8	NEW	3 mos.	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Svc Merchandise ..... M	5.50	- .75	- 12.0	6.25	5.50	13.25	5.50	15,585	4.68	3.23	44.9	NE	.08	1.5	NEW	3 mos.	03-87	451.0	14.8	(18.4)	NE	(.55)	NE	451.0	14.8	(18.4)	NE	(.55)	NE
Std Brd Prt ..... N	22.75	.25	1.1	23.00	21.75	27.00	19.38	4,344	3.87	2.58	50.0	17.1	.58	2.5	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Supermkts Gen ..... N	45.00	4.00	9.8	46.00	39.63	46.00	22.50	100,328	26.04	9.08	186.8	28.1	.28	.6	.....	fiscal	01-87	1434.5	5.8	19.1	- 11.6	.50	- 16.7	5507.9	7.5	60.9	- 4.4	1.60	- 10.1
Wickes Cos ..... A	3.25	- .38	- 10.3	4.25	3.13	6.63	3.13	84,687	3.57	2.20	62.3	11.6	.00	.0	.....	fiscal	01-87	1408.3	NC	4.4	- 79.0	(.02)	- 100.0	4770.0	70.0	73.9	81.6	.28	154.5
Wolohan Lumber ..... M	12.75	.38	3.0	13.00	12.63	13.25	7.50	2,066	3.52	2.40	46.7	11.6	.20	1.6	NEW	3 mos.	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp ..... N	23.63	- 2.25	- 8.7	26.13	23.00	43.88	20.75	30,218	5.12	2.54	101.6	15.2	.40	1.7	.....	fiscal	01-87	1777.0	32.4	43.8	20.3	.73	17.7	5350.6	32.6	92.4	- 2.3	1.55	- 4.3
Wholesalers																													
Moore Handley ..... M	8.75	- .25	- 2.8	9.50	8.75	19.00	6.75	647	2.58	1.26	104.8	19.4	.00	.0	NEW	3 mos.	03-87	23.6	15.7	.3	.0	.14	- 30.0	23.6	15.7	.3	.0	.14	- 30.0
Palmer Lewis ..... M	9.13	- .25	- 2.7	9.38	9.00	9.88	7.25	973	2.48	2.77	- 10.5	27.7	.28	3.1	.....	fiscal	01-87	46.8	53.9	.1	.0	.02	100.0	187.2	33.0	1.3	44.4	.33	43.5
Stanline Inc ..... M	10.25	.00	.0	10.88	10.25	12.75	7.84	488	2.88	2.63	9.5	10.6	.32b	3.1	.....	3 mos.	01-87	14.0	4.5	.3	.0	.20	33.3	14.0	4.5	.3	.0	.20	33.3
Manufacturers																													
Allegheny Int ..... N	21.00	- 3.25	- 13.4	24.38	20.50	24.75	11.38	10,607	9.79	9.33	4.9	NE	.00	.0	NEW	3 mos.	03-87	310.6	- 33.5	(38.5)	- 100.0	(3.56)	- 100.0	310.6	- 33.5	(38.5)	- 100.0	(3.56)	- 100.0
Am Consum Prods ..... M	10.75	.25	2.4	10.75	10.50	10.75	8.50	419	2.18	2.10	3.8	16.3	.00	.0	NEW	3 mos.	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard ..... N	41.75	.50	1.2	44.88	38.25	51.88	36.00	6,633	1.99	1.19	67.2	7.9	1.60	3.8	.....	fiscal	12-86	769.7	- .6	33.0	- 9.1	.99	7.6	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark ..... M	14.88	- .88	- 5.6	16.13	14.88	17.13	10.00	303	.44	.83	- 47.0	14.6	.00	.0	.....	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrng Wrld ..... N	36.63	.25	.7	37.50	32.00	44.00	24.88	15,484	3.26	1.19	173.9	13.4	.90	2.5	NEW	3 mos.	03-87	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6
Black & Decker ..... N	21.88	2.50	12.9	21.88	19.13	23.88	14.50	51,536	8.87	2.84	212.3	36.5	.40	1.8	NEW	6 mos.	03-87	438.7	5.7	9.2	475.0	.16	700.0	967.7	3.3	31.6	40.4	.54	25.6
Boise Cascade ..... N	77.13	.38	.5	80.00	74.38	86.88	51.50	14,270	4.90	2.50	96.0	20.3	1.90	2.5	NEW	3 mos.	03-87	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed ..... N	40.50	5.50	15.7	41.38	34.25	41.38	24.63	3,573	1.88	.77	144.2	12.5	1.00	2.5	.....	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl ..... N	38.13	.38	1.0	39.63	34.38	43.50	22.50	51,849	5.51	2.77	98.9	15.4	.64	1.7	NEW	3 mos.	03-87	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
DeSoto Inc ..... N	39.00	- 1.25	- 3.1	40.00	38.38	43.75	34.25	655	1.66	.75	121.3	45.9	1.40	3.6	NEW	3 mos.	03-87	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Emhart Corp ..... N	41.75	2.75	7.1	41.88	38.88	43.25	30.75	6,530	2.11	.93	126.9	NE	1.40	3.4	NEW	3 mos.	03-87	602.6	18.2	28.0	55.6	.90	38.5	602.6	18.2	28.0	55.6	.90	38.5
Georgia-Pacific ..... N	46.63	- .13	- .3	48.00	42.75	52.75	28.00	56,439	5.26	2.45	114.7	14.8	1.00	2.1	.....	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Insilco Corp ..... N	22.63	- 1.25	- 5.2	23.88	22.38	26.25	17.38	7,051	3.40	1.59	113.8	13.9	1.00b	4.4	NEW	3 mos.	03-87	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific ..... N	33.75	- 2.00	- 5.6	36.25	32.38	39.63	22.09	13,084	3.45	2.44	41.4	15.6	.80b	2.4	NEW	3 mos.	03-87	422.9	31.1	16.3	1064.3	.43	975.0	422.9	31.1	16.3	1064.3	.43	975.0
Macmillan Bloedel ..... M	19.00	- 1.38	- 6.7	19.63	18.25	22.38	7.75	19,683	1.94	1.12	73.2	NA	.42	NA	NEW	3 mos.	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp ..... N	2.75	.00	.0	2.88	2.63	3.75	1.63	10,465	4.36	2.83	54.1	.8	.00	.0	NEW	3 mos.	03-87	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp ..... N	34.50	- .25	- .7	36.38	31.25	40.88	23.50	34,728	2.69	.95	183.2	22.1	.36	1.0	.....	fiscal	12-86	450.0	- 36.2	55.4	- 60.8	.41	- 42.3	1452.0	25.8	203.4	23.6	1.56	21.9
Mor-Flo Inds ..... M	12.50	- .50	- 3.8	13.25	12.25	16.50	12.00	28	.11	.21	- 47.6	39.1	.01	.1	NEW	fiscal	12-86	47.3	- 10.4	(1.0)	- 100.0	(.38)	- 100.0	195.2	- 5.2	.8	- 81.0	.32	- 80.6
Newell Co ..... N	34.00	- 2.38	- 6.5	36.88	32.75	39.75	24.00	1,520	1.33	.79	68.4	15.2	.84	2.5	NEW	3 mos.	03-87	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Owens Corn ..... N	28.38	1.38	5.1	29.13	25.75	30.88	8.88	27,917	7.45	4.53	64.5	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	15.38	- .13	- .8	16.13	15.25	18.13	10.00	1,383	1.72	1.38	24.6	16.2	.12	.8	NEW	3 mos.	03-87	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot ..... N	42.00	1.63	4.0	42.50	35.50	43.50	17.75	2,674	4.45	2.93	51.9	11.0	.88	2.1	NEW	3 mos.	03-87	100.3	35.4	6.7	NE	1.10	NE	100.3	35.4	6.7	NE	1.10	NE
Potlatch Cp ..... N	70.25	- 5.75	- 7.6	77.88	67.00	83.75	45.00	3,231	2.43	1.00	143.0	13.3	1.68	2.4	NEW	3 mos.	03-87	248.6	6.6	17.8	30.9	1.26	32.6	248.6	6.6	17.8	30.9	1.26	32.6
Sherwin-Wms ..... N	34.13	- .75	- 2.2	36.50	33.13	38.50	22.75	9,878	2.19	1.22	79.5	14.6	.56	1.6	NEW	3 mos.	03-87	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works ..... N	32.88	1.88	6.0	33.88	28.75	35.38	23.19	8,265	1.94	1.16	67.2	16.9	.76	2.3	NEW	3 mos.	03-87	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds ..... N	20.38	- .25	- 1.2	20.75	19.13	22.63	15.50	668	.67	.49	36.7	15.2	.68b	3.3	NEW	3 mos.	03-87	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
USG Corp ..... N	39.00	2.13	5.8	39.50	36.25	46.50	32.00	10,118	1.93	1.26	53.2	8.9	1.12	2.9	NEW	3 mos.	03-87	693.2	11.4	85.0	64.4	1.65	103.7	693.2	11.4	85.0	64.4	1.65	103.7
Walter, Jim ..... N	51.25	- .13	- .2	52.13	47.38	62.25	39.50	12,226	3.85	1.43	169.2	9.8	1.40	2.7	.....	6 mos.	02-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Waxman Ind ..... M	10.88	.75	7.4	10.88	10.25	13.25	6.34	1,188	1.81	1.66	9.0	23.1	.08	.7	NEW	9 mos.	03-87	NC	NC	(.6)	- 100.0	(.10)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser ..... N	54.38	- 1.63	- 2.9	56.75	49.50	60.00	30.50	56,231	4.15	2.08	99.5	23.1	1.30	2.4	NEW	3 mos.	03-87	1617.3	23.8	101.9	103.8	.75	141.9	1617.3	23.8	101.9	103.8	.75	141.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National Home Center News®

Vol. 13, No. 11 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 1, 1987

Grossman's opens first whse in 3 yrs.

By Brad Altman
NHCN staff editor

NORTH HOLLYWOOD, Calif. — Grossman's has debuted a membership warehouse here in populous San Fernando Valley, its first new unit opening in southern California since 1984.

A company official said he is hoping to open a fifth warehouse in southern California before year's end.

In a related development, Grossman's Western Region president Joseph Vaeth said a renovation program has begun on selected stores in the 32-unit region.

"We're upgrading plants, assortments and presentations," he said.

The late April grand opening of the North Hollywood store and launching of a regional renovation program stem from Grossman's Inc.'s formation as a new company following the emergence from Evans Products' Chapter 11.

(Continued on page 66)

Mike Grossman raises a silver-plated shovel triumphantly after breaking ground on Hanover, Mass., store. NHCN photo

Inside Grossman's newest West Coast warehouse with, from left, regional manager Rich Fiechter; Joe Vaeth, president of Grossman's Western region; Frank Lynch, evp, southern division; and Mike Carlevaro, the store's manager. NHCN photo

Chain digs in to protect Boston turf

By John Caulfield
NHCN staff editor

HANOVER, Mass. — When Grossman's Inc. broke ground on May 13 for a new 50,000-square-foot home center in this town about 40 miles south of Boston, it was symbolic of Grossman's digging in to protect what company officials see as its dominant market position here.

Mike Grossman, chairman of the 272-unit chain (who grew up in nearby Quincy, and whose company was started in the city of Boston), said the Hanover store "is a signal to the world that we are No. 1 in Boston, and intend to stay No. 1."

Hanover is the first new metro market store to be started by the company since Grossman's emerged from Chapter 11 last November. It will sit on 12 acres of land (34 percent of which will be developed specifically for the store), and cost $3 million to build and fixture.

And while the Hanover unit will closely resemble Grossman's prototype store in Rochester, N.Y., its merchandise mix will be more expansive, with beefed up hardware, seasonals, lawn and garden and storage departments. The Hanover unit will carry 16,000-plus stockkeeping units and $2 million in inventory at cost, a considerably higher stock level than Rochester.

The general contractor on the store is Mac-

(Continued on page 65)

N.Y. Rep. challenges NeRLA stand

By an NHCN staff editor

WASHINGTON — Representative John LaFalce (D-N.Y.) is a skillful devil's advocate. And those who choose to debate him better have their facts straight, lest their own arguments defeat them.

About a dozen members of the Northeast Retail Lumbermen's Association (NeRLA) got a full dose of LaFalce's methods when they visited him to discuss issues raised during the National Lumber and Building Material Dealers

(Continued on page 65)

NLBMDA meets in Washington to address pending legislation

By Milford Prewitt
NHCN staff editor

WASHINGTON — Bills that would raise the minimum wage and increase employers' health care costs were two of several initiatives lumber and building material dealers rallied against during a review of proposed federal legislation.

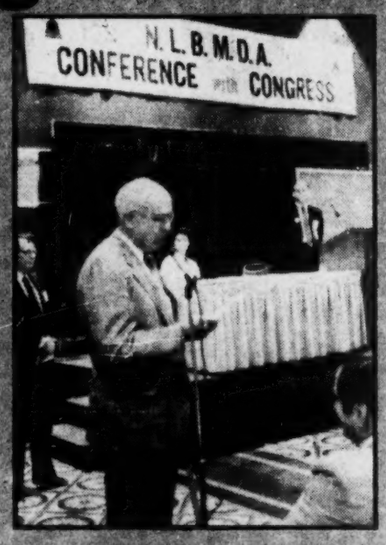
Some 160 dealer-delegates attending the National Lumber and Building Material Dealers Association's (NLBMDA) 15th Annual Conference with Congress were nearly unanimous in their opposition to five bills currently pending before the 100th Congress which, they say, will significantly increase the costs of doing business.

Harlan Hummel, the executive vp of the NLBMDA, noted that unlike previous conferences with Congress the three-day session earlier this month was one of the few that focused more on generic business matters and less so on issues specific to the industry.

An evaluation of how changes in health benefits and the minimum wage may affect home center operators can be found on page 4.

Clearly the two bills—H.R. 1834 and S. 837—aimed at raising the minimum wage

(Continued on page 66)



Ray Nunn, former president of the Lumbermen's Association of Texas, speaks against minimum wage hike. NHCN photo

Falling lumber kills child at Fla. Depot

By Laura Liebeck
NHCN staff editor

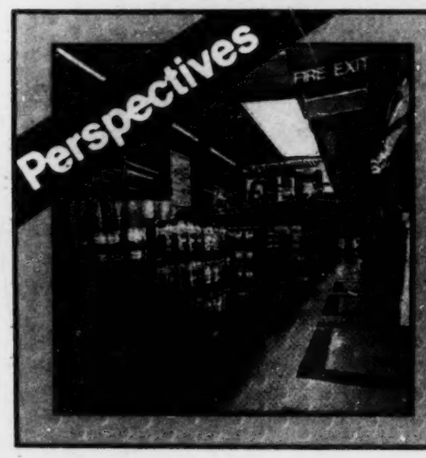
PERRINE, Fla. — A seven-year-old boy was killed in a Home Depot store in this suburban Miami town last month after a lumber cart filled with plywood tipped over onto the child.

Police and family confirmed that Elton T. Lee, of Goulds, Fla., died at the Home Depot store located at 16051 South Dixie Highway here on May 8 after being hit on the head by falling lumber.

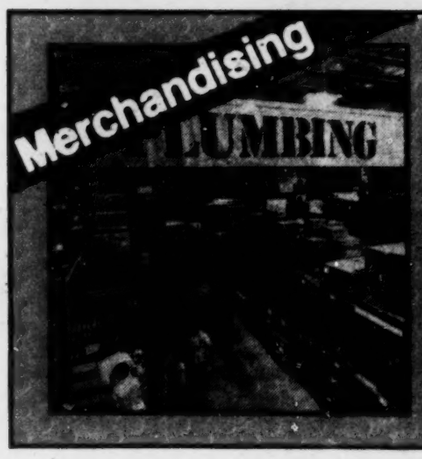
The child was standing several feet away from the lumber cart that was parked in an aisle in the lumber department, said Elton's grandfather, Thomas Lee. The grand-

(Continued on page 66)

INSIDE



The Battle of Britain: Superstores fight for share of maturing do-it-yourself market 25



Retailers still testing waters with Euro-style faucets 28
Conservation is key factor in low-water toilet sales 30

NEWSBREAKS

LANOGA NAMES NEW CEO: Daryl Nagel, previously president of 108-unit United Building Centers, becomes head of the 322-unit retailer.
EASCO HAND TOOL GOES PUBLIC: The Hunt Valley, Md., supplier, has issued through Paine Webber 4.5 million new shares of common stock at $11 per share.
BEAVER LUMBER SELLS QUEBEC UNITS: Canada's largest building supply retailer has sold eight Le Castor Bricoleur stores to Val Royal for $10.7 million (Canadian).

INDUSTRY UPDATE

Aug. trial set for Ace assailant

KAUFMAN, Tex. — Patrick Cameron, 41, was indicted on March 31, on charges of murdering John Francis, 41, an Ace Hardware store manager here.

Francis was shot five times in the head with a 22 caliber rifle, according to police chief Jack Lawley. He was found by an assistant manager on March 24 at 7 a.m. lying by the checkout at the front of the store. Cameron reportedly stole over $5,000 in cash. He was apprehended March 28.

Cameron confessed to shooting Francis and to robbery. He could face life imprisonment or the electric chair if convicted. His trial is set for late August.

Cameron worked part time in the store for six months. After working all day March 23, Cameron returned after closing hours with a rifle, on the pretext that he wished to ask Francis how to fix the gun, according to Cindy Walker of *The Kaufman Herald*.

Coast exec gives gift to college

By an NHCN staff editor

DENVER — Coast to Coast chairman Richard Bard has endowed his alma mater, Pennsylvania State University, with a $259,000 gift for the establishment of a professorship in memory of his late parents.

A search committee has been formed to find a professor for the Irving and Irene Bard University Endowed Professorship of Business Administration at Penn State, said Charles C. DuBois, assistant to the Dean of Business Administration for Communication.

Bard graduated from Penn State in 1969 with an undergraduate degree in civil engineering.

Wickes Lumber closes 4 units

VERNON HILLS, Ill. — Wickes Lumber closed four units on May 4, reducing its store count to 237.

Bill Hensler, vp-merchandising, said the yards—located in New Iberia, and Lafayette, La.; and North Charleston, and Columbia, S.C.—"were not generating an acceptable return on investment."

Next month, Wickes Lumber will open a 20,000-square-foot unit in Boulder, Colo., and a unit in Cystral Lake, Ill., in August.

Waxman reports record sales

BEDFORD HEIGHTS, Ill. — Waxman Industries here reported the highest quarterly sales in its history for the period ended March 31.

The revenues for the plumbing, hardware and electricals distributor rose 22.1 percent to $30.9 million; net income increased 33.8 percent to $950,000, or 15 cents per share, its highest third-quarter earnings.

For the nine-month fiscal period, Waxman's sales were $84.7 million, a 20.8 percent jump, with earnings up 38 percent to $2.5 million, or 40 cents per share.

Dealer finds past in fire's rubble

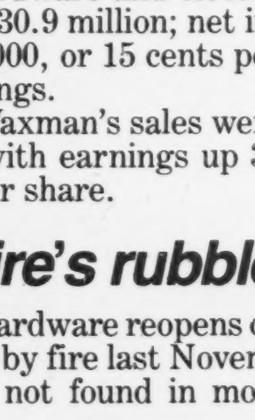
SAN DIEGO — When San Diego Hardware reopens on June 13 after being severely damaged by fire last November, it will have a new department not found in most stores: a museum.

Employees salvaging the historic downtown store—which was undergoing expansion before a Thanksgiving Day fire, due to combustion of oily rags, caused $750,000 in damage—found boxes of historical memorabilia, including checks, catalogs and letters from vendors at the turn of the century. San Diego Hardware opened in 1892.

Industry stocks take a dive

Home improvement industry stocks dipped during the two-week period ended May 15, with the price of 34 public companies declining. The biggest retail loser was Payless Cashways, whose stock price dropped 9 percent.

The price for four companies remained unchanged, and 17 firms showed gains, led by Manville Corp., with an 18.2 percent price increase, and Wolohan Lumber, the Saginaw, Mich., chain which achieved record sales and earnings for the three months ended March 31. Wolohan's stock price was up 14.7 percent.



See financial tables, page 62.

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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(1-800-642-6397)

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Diamond Lumber sister firm files for Chapter 11 protection

By an NHCN staff editor

CARROLLTON, Tex. — Krestmark, a manufacturer of aluminum doors and windows under the Michigan General (MGC) umbrella, filed for Chapter 11 protection from its creditors last month, 16 days after its sister company, Diamond Lumber, took the same action.

MGC, also in Chapter 11, was in the process of selling Krestmark to a company called LCB Holdings Inc., Dallas, on the same day of its Chapter 11 filing, May 8.

The day before, Diamond's creditors held their first meeting. The second creditors committee meeting was to be held on June 9 in Dallas. All of Diamond's creditors were to meet on June 8 in Dallas.

On June 4, Diamond was scheduled to release two documents with the court that would update the financial picture of Diamond: a statement of financial affairs, and a bankruptcy schedule, listing all of Diamond's current assets and liabilities.

During the first creditors committee meeting, George Wilson, southwestern regional credit manager for Weyerhaeuser, was confirmed as chairman of the nine-member group.

The creditors committee includes Diamond's nine largest unsecured trade creditors. J.D. Irving Ltd., of St. Johns, New Brunswick—with a claim of about $246,000—was added to the creditor's committee after the initial eight members were appointed in April.

Vernon Teofan with Freytag, Perry, LaForce, Rubinstein & Teofan, was named legal counsel to the creditors committee.

Krestmark's sale to pay debt

LCB, using the name Krestco Inc., a company formed to purchase Krestmark, agreed to buy the door and window manufacturer for about $6.5 million in cash and another $500,000 due six months after closing, subject to receivables being collected, explained Jerold Grubstein, president and ceo of Michigan General, and Dean Gandy, lead attorney in the bankruptcy division of Aiken, Gump, Strauss, Hauer & Feld, Dallas, legal counsel for Diamond.

Krestmark filed for Chapter 11 protection from credi-

(Continued on page 65)

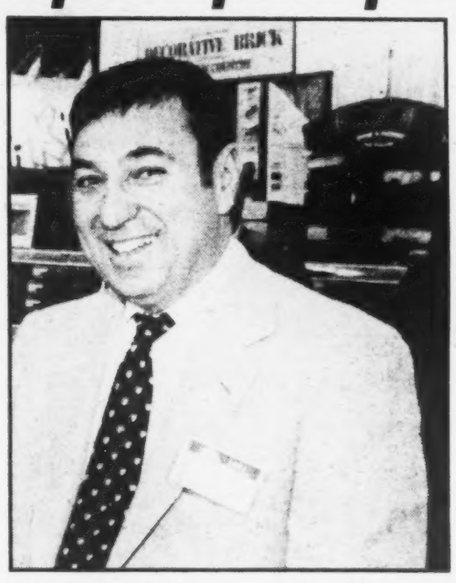
Somerville steps up expansion plans

By an NHCN staff editor

SOMERVILLE, Mass — Somerville Lumber & Supply plans to build a distribution center and possibly double its store count by the end of next year.

Harold Cohen, chairman of this Payless Cashway subsidiary, said the 500,000-square-foot, fully automated DC will be built for $20 million in Bellingham, Mass., and is scheduled to open in September 1988. Bellingham is near the northeast corner of Connecticut.

Additionally, Somerville "will have at least four new stores by the end of 1988," said Cohen. The planned stores will all be in existing markets: Hanover, Acton and Lunenberg, Mass., and Warwick, R.I. All of the stores will be newly constructed, based on the West Bridgewater prototype opened in 1985. That unit has a 56,000-square-foot retail showroom with an attached, two-floor, 106,000-square-foot warehouse.



Harold Cohen, of Somerville Lumber, reports that Somerville's April sales "were up 52.5 percent over a year ago."

Capital outlay for each store, according to Cohen, will be $4 million not including inventory costs.

Somerville places a strong emphasis on its core business of building materials, but has given added attention to kitchen and bath. Each store initially employs 130 people "and that number grows rapidly to 200," Cohen said.

Cohen emphasized that Somerville's growth has been "carefully planned" and that the company was in the process of hiring new people and installing new systems to support it. As part of that effort, Somerville has just hired Robert Wittman as its vice president of merchandise.

Wittman, 42, joined the chain on May 11 from the Bradlees Department Stores chain, where he was general merchandise manager-hardlines.

Previously, Wittman had worked for Grossman's, Somerville's main competitor in the Northeast, where he was vp and senior merchandise manager hardlines. Wittman has also worked at Supermarkets General Corp.

Cohen reported that Somerville's April sales "were up 52.5 percent over a year ago. Business has been very excellent."

Dart opposes Supermarket General LBO

By an NHCN staff editor

WILMINGTON, Del. — The Dart Group, charging that Merrill Lynch Capital Partners violated a confidential trust, has filed an amended suit to prevent the investment banker from backing a buyout of Rickel Home Centers' parent, Supermarkets General (SGC).

In the latest of nine suits filed in Delaware's Chancery Court, the Dart Group alleges that the investment management team of SGC and its backers, Merrill Lynch, illegally formed a partnership to "thwart a fair auction."

Dart's complaint is similar to eight other complaints filed by shareholders to block the bid. In those suits, the shareholders charge that SGC directors violated their fiduciary duties when they constructed a poison pill to make a takeover unpalatable.

The poison pill provision gives SGC shareholders, under specified circumstances, the right to purchase shares of an acquiring company for half price if the raiding company acquires more than 20 percent of SGC's shares.

The Dart Group, a Landover, Md., chain operator of discount book stores and auto parts, made an unsolicited $1.6 billion bid to buy Supermarkets General in early March. But when the operators of SGC rebuffed the bid, the Dart Group sweetened the deal to $1.7 billion. Later, the Dart Group withdrew altogether when an investment management team—including Rickel president Chuck Davis—secured the backing of Merrill Lynch to buy the company for $1.8 billion and take it private.

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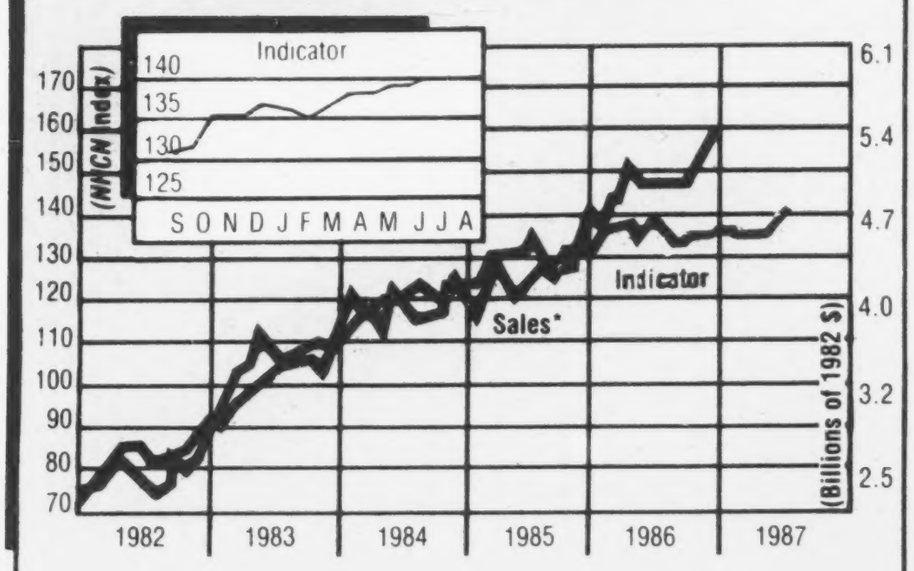
BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong at the end of 1986, although they fell in January. In the last two months, resales rebounded from the January lull.

Collapse in oil prices weakens West South Central area sales

By Richard E. Mount
Special to NHCN

The contraction in domestic energy markets, brought about by the collapse in world oil prices in early 1986, is over. In its wake, however, most of the West South Central states, especially Oklahoma and Louisiana, remain very weak.

Retail building material sales in the West South Central states are likely to be up only one percent in 1987, after adjustment for inflation, well below the six percent gain that we anticipate for the nation.

Energy

Crude oil prices, on average, have stabilized at about $18 per barrel up from a low of $11. The OPEC agreement on production cutbacks is holding, and world oil consumption is up because of lower prices. For 1988, oil prices should advance to $19 per barrel if OPEC maintains current production levels.

Richard E. Mount

The rise in residual oil prices will increase domestic natural gas demand this year and next. Many utilities and manufacturing plants have burners that can use either oil or natural gas, and shift their consumption of energy materials to gas when the price of oil rises.

The firming in energy prices from the increase in demand for domestically produced energy, in conjunction with lower prices for

(Continued on page 13)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1985	1986				1987					
		QIV	QI	QII	QIII	QIV	QI	QII	QIII	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		123.4	124.7	127.9	132.1	137.1	138.6	140.2	142.0	118.5	130.4	140.5
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	59,224	63,708	65,344	65,684	67,380	69,340	71,739	73,930	55,695	65,529	73,072
	New England	3,477	3,492	3,854	4,210	4,151	4,285	4,390	4,517	3,038	3,927	4,477
	Middle Atlantic	8,306	8,324	8,926	9,261	9,325	9,569	9,878	10,151	7,269	8,959	10,046
	East North Central	9,048	8,096	9,699	10,014	10,761	11,129	11,550	11,932	8,381	9,642	11,777
	West North Central	4,000	3,541	4,049	4,413	4,656	4,778	4,936	5,086	3,747	4,165	5,033
	South Atlantic	11,837	13,871	13,442	12,394	14,042	14,464	14,986	15,466	11,262	13,437	15,273
	East South Central	3,182	3,513	3,633	3,757	4,036	4,209	4,376	4,539	2,964	3,735	4,471
	West South Central	6,041	6,817	6,355	5,975	6,549	6,684	6,916	7,112	6,090	6,424	7,033
	Mountain	2,763	3,256	2,962	2,997	3,308	3,405	3,515	3,615	2,674	3,131	3,577
	Pacific	8,322	10,269	9,659	10,087	10,552	10,817	11,191	11,511	8,377	10,142	11,386
Constant	**Millions $1982 SAAR Total United States**	55,870	59,791	63,069	62,522	62,793	63,790	65,150	66,475	52,705	62,044	66,054
	New England	3,280	3,603	3,948	3,895	3,868	3,942	3,987	4,062	2,882	3,829	4,047
	Middle Atlantic	7,836	8,243	8,823	8,678	8,691	8,803	8,971	9,127	6,895	8,609	9,082
	East North Central	8,536	9,572	9,990	9,935	10,028	10,238	10,489	10,729	7,951	9,881	10,645
	West North Central	3,773	4,274	4,396	4,345	4,339	4,395	4,482	4,573	3,555	4,338	4,550
	South Atlantic	11,167	12,093	13,074	12,992	13,086	13,307	13,610	13,907	10,683	12,811	13,806
	East South Central	3,002	3,400	3,690	3,695	3,761	3,872	3,974	4,082	2,812	3,637	4,041
	West South Central	5,699	6,478	6,307	6,190	6,103	6,149	6,280	6,395	5,777	6,270	6,357
	Mountain	2,607	2,915	3,059	3,057	3,083	3,132	3,192	3,251	2,536	3,029	3,233
	Pacific	7,851	9,214	9,782	9,735	9,833	9,951	10,163	10,350	7,946	9,641	10,293
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	96.20	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.87	6.03	6.26	6.23	6.16	6.18	6.12	6.11	5.47	6.17	6.13
	Middle Atlantic	14.02	13.79	13.99	13.88	13.84	13.80	13.77	13.73	13.08	13.88	13.75
	East North Central	15.28	16.01	15.84	15.89	15.97	16.05	16.10	16.14	15.09	15.93	16.12
	West North Central	6.75	7.15	6.97	6.95	6.91	6.89	6.88	6.88	6.74	6.99	6.89
	South Atlantic	19.99	20.22	20.73	20.78	20.84	20.86	20.89	20.92	20.27	20.65	20.90
	East South Central	5.37	5.69	5.85	5.91	5.99	6.07	6.10	6.14	5.33	5.86	6.12
	West South Central	10.20	10.83	10.00	9.90	9.72	9.64	9.64	9.62	10.96	10.10	9.62
	Mountain	4.67	4.88	4.85	4.89	4.91	4.91	4.90	4.89	4.81	4.88	4.89
	Pacific	14.05	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.08	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	88.6	92.7	91.1	93.9	95.8	92.4	91.1	90.9	88.5	93.4	91.6
	Cement	99.8	121.2	108.7	105.6	108.2	107.9	106.5	105.2	105.7	110.9	106.4
	Gypsum Wallboard	132.4	132.8	133.7	132.3	134.5	134.6	134.2	133.1	126.4	133.3	133.9
	Hardware	99.4	99.8	102.1	103.5	101.7	104.5	103.9	103.2	100.9	101.8	103.8
	Lumber Products	125.7	128.0	132.8	134.1	134.2	127.5	126.7	126.1	122.9	132.3	126.7
	Paint	100.2	100.6	103.0	100.1	93.8	107.2	107.9	108.4	101.9	99.4	108.1
	Plywood	142.9	149.6	161.4	164.3	158.2	157.2	156.2	154.4	138.7	158.4	155.4

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 1, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Collapse in oil prices weakens West South Central area sales

(Continued from page 12)

equipment, have ended the drop in drilling activity.

In the first week of 1986, there were 1,915 drilling rigs in service, falling to 663 by July 1986. The count is currently running at 767, and is likely to approach 1,000 by the end of the year.

This means higher employment in the oil field and also increased production of oil field machinery and parts, a major industry in the West South Central states. Since January of this year, national employment in oil and gas mining rose from 412,000 to 424,000.

Regional conditions

Louisiana is the hardest hit in the region. Employment is down six percent from a year ago, new housing has dropped sharply—single-unit starts are down almost 50 percent from a year ago and, in five of the last 14 months, there were essentially no starts of apartments.

Oklahoma is the second worst market. Employment is down two percent from a year ago and single-unit starts off 50 percent. While manufacturing of energy machinery is a major industry, there is also a growing concentration in computers.

Texas employment is off only one percent from a year ago. Its economy is more diverse than Louisiana or Oklahoma, having larger centers for computer manufacturing, chemicals, communications, education facilities and finance.

Arkansas is the only state in the region that enjoys rising employment—up two percent from a year ago, but apartments are down as a result of the new tax law. Manufacturing is centered about food processing and electrical equipment, and energy plays a smaller role in the local economy.

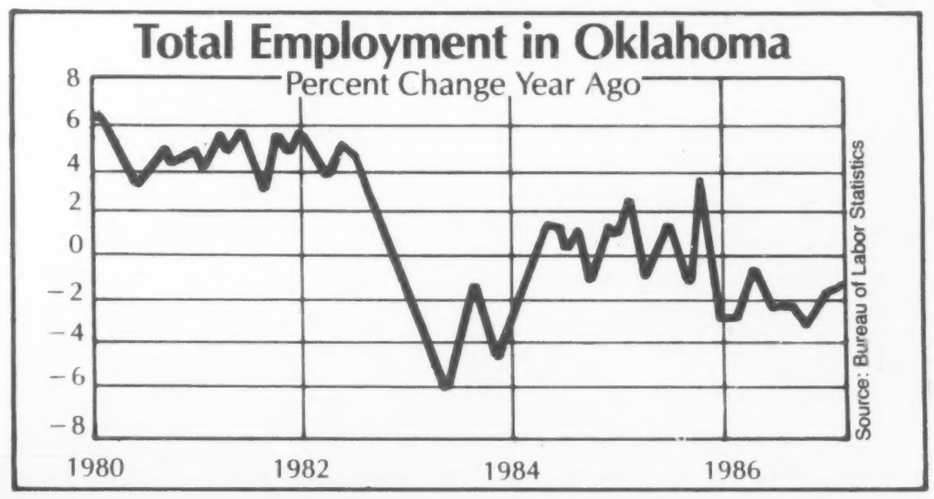
Resales provide strength

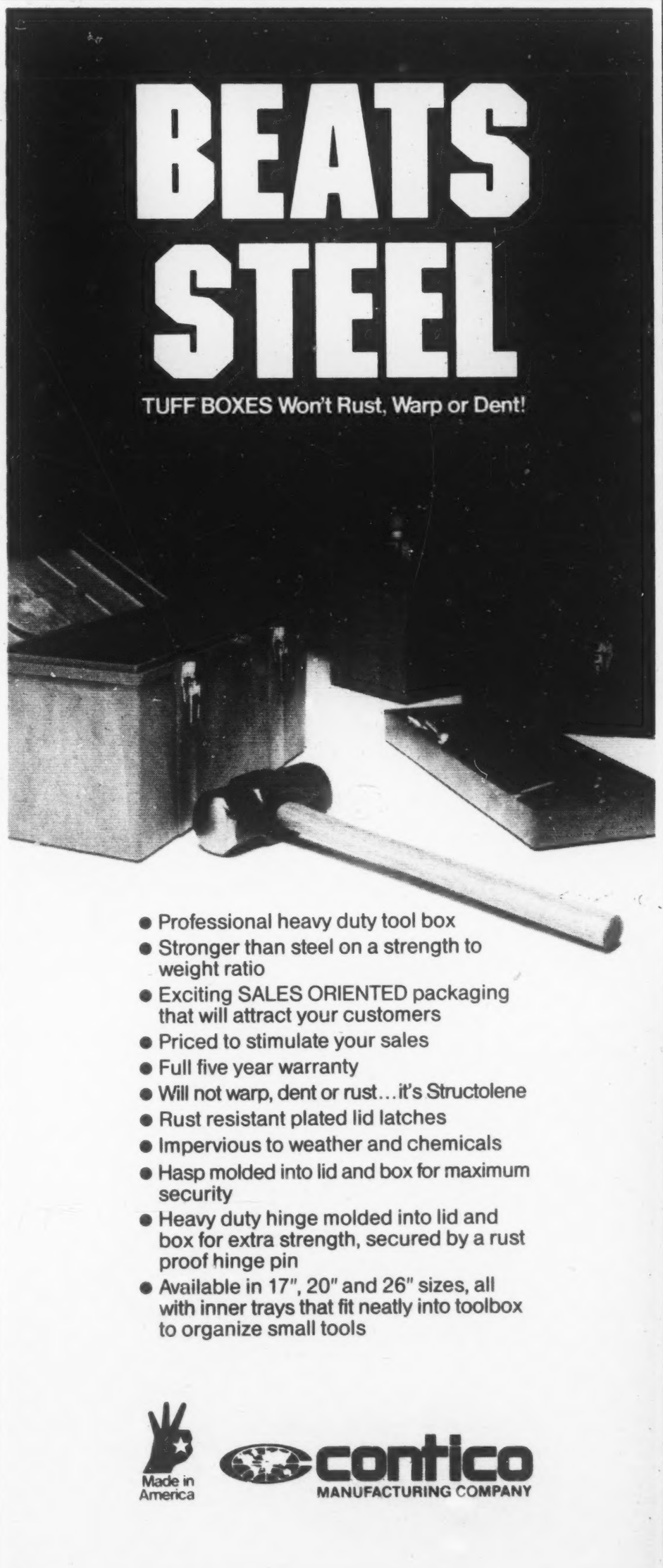
Resales held up in the region last year, declining only three percent, in spite of weakness in new housing and employment. Overbuilding and weak business conditions forced many homeowners to sell, or in some cases default, pushing the price of resales lower.

New home builders could not match this drop in price, so demand was increasingly concentrated in the resale market.

Sales to rise nine percent

Building material sales in the West South Central states are expected to rise nine percent this year, one percent after adjustment for inflation. But, this will be below the six percent gain in unit volume anticipated for the nation. While employment and new housing have been weak in the region, except for Arkansas, the persistence of almost 340,000 resales per year will sustain retail building material sales in 1987.





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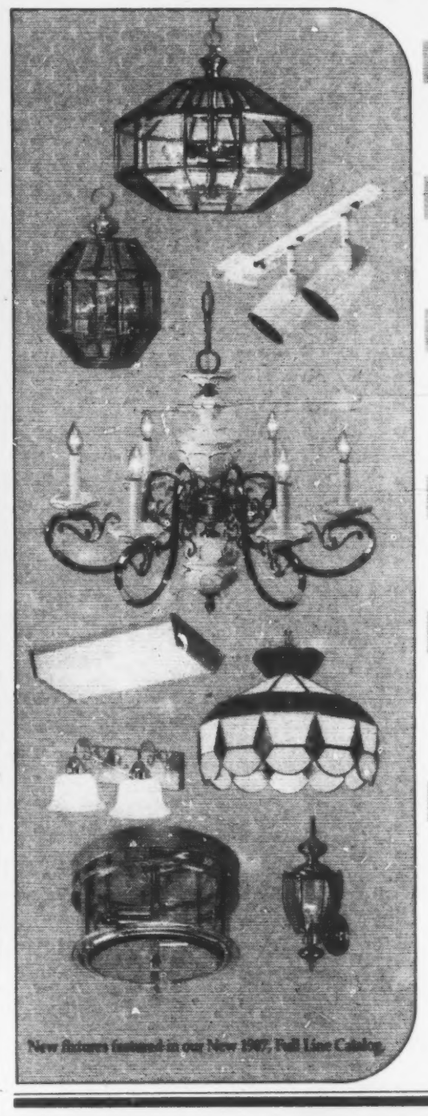

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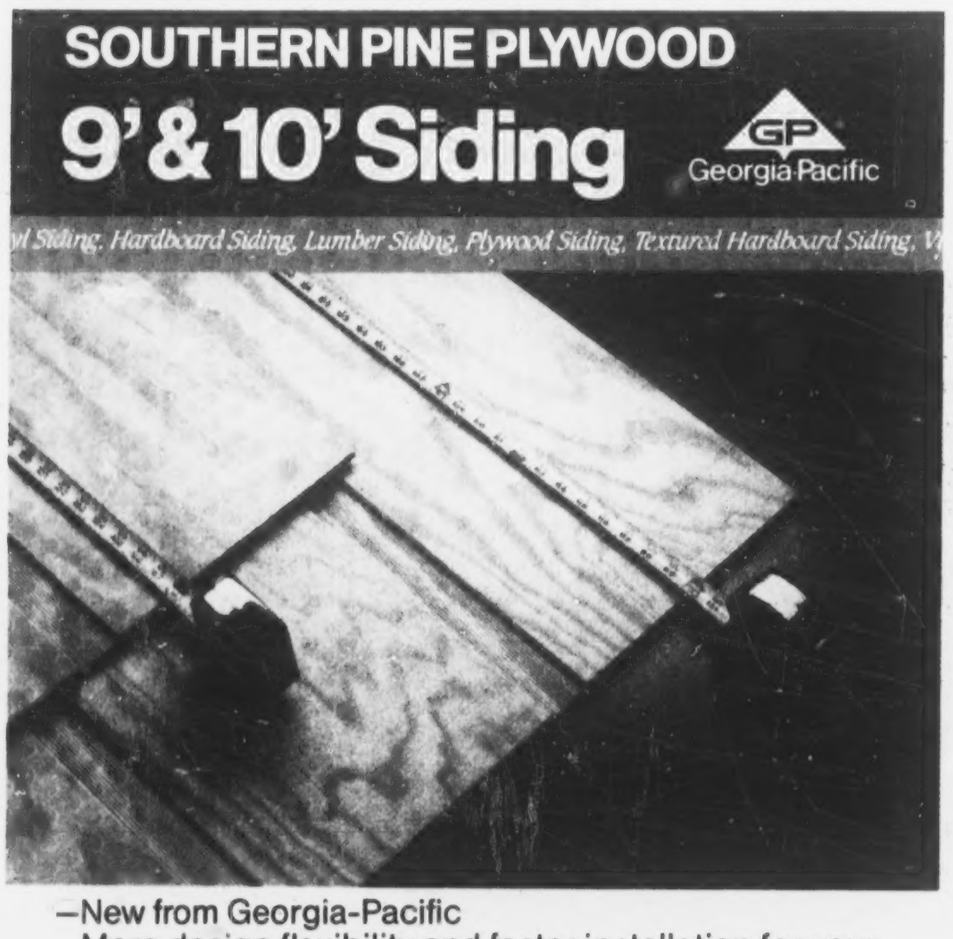

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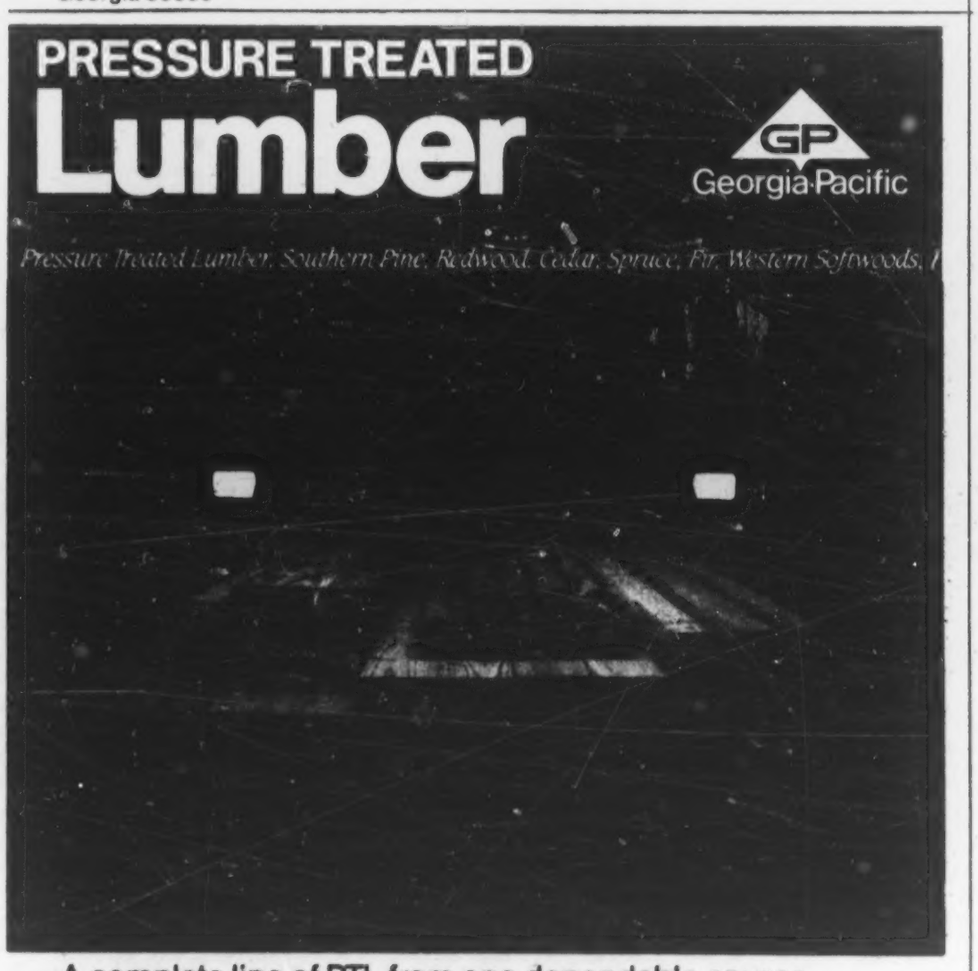

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LUMBER REPORT

Two bills pending in Congress may revive lumber tariff talks

By Milford Prewitt
NHCN staff editor

WASHINGTON — Just when it seemed the phrase "countervailing duty" would be removed from the lumber industry's jargon, two bills in Congress may revive the issue, triggering a new round of lumber tariff talks, observers say.

Adding fuel to the fire, the Coalition for Fair Lumber Imports (CFLI) rejected a proposal by the Canadian forest industry to modify its export agreement and expressed outrage that the Canadian Parliament in Ottawa has yet to pass legislation authorizing or acknowledging the 15 percent export tax on Canadian lumber. The CFLI's anger comes despite the House of Commons scheduling of a final reading of a bill to erect an export duty.

Last December, in an effort to hold off what could have been a 33-to-36 percent tariff, the Canadian government began charging a 15 percent export tax on all softwood lumber bound for the U.S.

Prices stabilize

The new twofold controversy comes at a time when the lumber market has begun showing signs of stabilizing. Following nearly half a year of price volatility and production shortages spurred by British Columbian mill strikes last summer and what was then perceived as an imminent tariff, production and inventories have been plentiful.

While the current market conditions favor dealers, who, according to *Random Lengths*, are procuring product about $10 a thousand board feet less than last year, wholesalers and producers are less content.

But new legislative moves in Washington, drawing strength from the rising protectionist tide, may rattle the market again.

H.R. 3, sometimes called the Gephardt Amendment after its sponsor, presidential candidate and Missouri Democratic Representative Richard Gephardt, would inflict heavy penalties on countries that maintain large trade surpluses with the U.S. It includes new language in the trade law for defining subsidized industry, making it easier for domestic industries to secure countervailing duty investigations.

One way it would do this is to toughen the language in the General Agreement on Tariff and Trade (often called GATT) by creating a catchall category for nontariff imports whose industries are accused of dumping in the U.S., are subsidized or engaging in unfair trade practices.

The bill would also seek assurances from America's major exporting agricultural partners that they would limit production during times of oversupply.

(Despite the possibility of opening the gates for new countervailing duty petitions, H.R. 3 proposes the enactment of the Forest Products Competitive Marketing Act of 1987, a program which would empower the Secretary of Agriculture to target technical, financial and managerial assistance to small and medium-sized forest products firms to enhance their competitiveness overseas.)

New wave of duties seen

In the Senate, S. 439 has been introduced to amend the Tariff Act of 1930 for changes in countervailing and antidumping provisions. Like the Gephardt bill, it modifies the definition of subsidy as one in which "capital, loans, loan guarantees, goods or services at preferential rates on terms inconsistent with commercial considerations" are doled out by foreign governments or foreign banks.

Harry Horrocks, legislative director for the National Lumber and Building Material Dealers Association (NLBMDA), fears that portions of H.R. 3 and the Senate's trade reform would activate a new round of countervailing duty petitioning with regard to Canadian lumber imports.

"If this passes, it would just be another incentive for yet another countervailing duty," Horrocks said.

Even though the two measures seem to offer the forest products industry some latitude, a spokesman for the CFLI, which lobbied for a tariff on Canadian lumber, said the group has not yet taken a position on either bill.

But the CFLI has not been quiet about its anger at the Canadian government for not passing laws recognizing the 15 percent export tax, as agreed to in December when the duty was installed.

When Canadian forest industry representatives recently asked for exemptions from the export tax for certain companies and products, the CFLI rejected the proposal because the government in Ottawa has yet to recognize the law.

"Canada's failure to pass enabling legislation has caused a breach of the agreement it signed five months ago," said Stanley Dennison, chairman of the CFLI in a press release. "Canada should do simply what it said it would do."

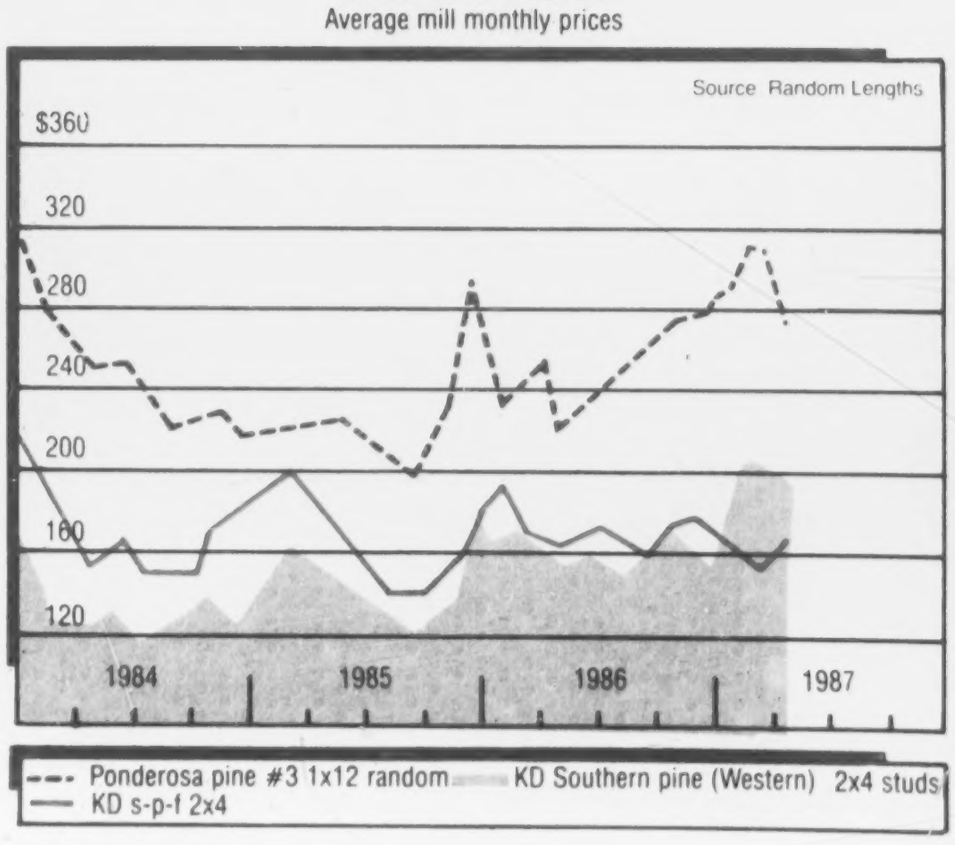
Since the law went into effect, Canadian exporters have been charging the tax voluntarily and forwarding the revenues to their provincial treasuries, an activity the CFLI charges have led to reduced collections.

According to the Canadian Forest Industries Council, the Canadian government has not deliberately delayed adoption of a export tax law, but has attended to other legislation demanding more immediate action. The CFIC said most parties are looking for a speedy endorsement of the export tax to accommodate the concerns of Canadian remanufacturers and certain product line producers who feel they are being penalized unfairly by the tax.

From the outset, some Canadian remanufacturers of specialty products such as picnic tables, outdoor benches, tool shed kits and some high-quality planking have charged the export tax unjustly applies to them since much of their production involves American-grown Southern yellow pine.

Commodity close-up

Studs and Boards
Average mill monthly prices



After starting off the year at traditionally high price points, studs and boards began to soften in prices as anxiety over the Canadian export tax abated. Ponderosa pine #3 1X12 random dropped more than $20 a thousand board feet between December and April from $297 to $273. While not as dramatic, KD Southern pine (Western) 2X4 went from $208 a thousand board feet to $200. Only KD s-p-f 2x4 showed some gains in price, rising from $153 a thousand board feet to $163 in April.

THE BATTLE OF BRITAIN

By Kenneth Schept
NHCN Editor

LONDON — In the northwest sector of this city, just a few miles from the landmark Marble Arch, is one of the United Kingdom's fiercest DIY blood alleys, where this country's top six DIY chains compete along a short stretch of Edgeware Road.

The area, called Colindale, began drawing shoppers after Brent Cross, a nearby mall, opened 10 years ago. Londoners, for whom shopping had meant a stroll down their local "High (Main) Street," quickly took to the American-style schlep to the mall.

They also quickly took to home centers, or DIY superstores as they're called here. Local resident Wayne Adler, a London cabbie and avid DIYer noted, "When I went to the states they had gas barbecues on trolleys [carts]. When I came over here only Harrods had it." A year later he was able to buy it at Edgeware Road's Do-It-All store. "It heats in seconds and it's a fantastic thing."

In many ways the competitive activity along Edgeware Road is a microcosm of the DIY Battle of Britain now taking place. A land of 94,226 square miles—slightly smaller than Oregon—populated by 56 million people, currently sustains about 650 home centers. Many say that market saturation is only a few years away.

"The big are getting bigger," said Colin Petty, editor of the *Hardware Trade Journal*. "At some point in the next two or three years we will reach saturation with no 'greenfield' [undeveloped] sites left."

In anticipation of that day the war is being fought to gain market share and secure a clearly defined niche.

B&Q, pictured above, is the largest DIY operator in the U.K., as noted in the chart. The company also operates 52 auto aftermarket outlets and three furniture stores. The roughly 20 chains that run home centers in the U.K. last year produced sales of about 1.5 billion pounds.

Top 10 United Kingdom Chains

Chain	Volume (millions £) '85	Volume (millions £) '86	Stores '85	Stores '86	Square Feet (000) '86	Average Store Square Feet '86
B&Q	£394.0	£515.0	176	200	6,800	34,000
Texas	227.0	295.0	135	147	3,700	26,600
Payless	110.0	137.0	65	70	1,500	21,000
Do It All*	76.0	120.0	54	64	1,600	25,000
Homebase**	64.0	87.0	28	34	1,200	45,000
Wickes	69.0	84.0	22	24	526	22,000
Great Mills	58.0	78.0	46	53	1,400	26,000
Fads	56.0	59.5	214	207	727	3,500
Wilkinson	39.0	42.5	55	62	287	4,629
Jacoa	32.0	34.8	183	182	392	2,154

Source: *Hardware Trade Journal*, Kent, England
*Hardware Trade Journal estimate
**Homebase
£1 = $1.68 U.S.

Battling for market share

The market share battle in some areas comes down to going after the business held by contractor yards which are called builders merchants here.

The *Builders Merchant Journal* estimated that 7,000 Builders Merchant outlets last year compiled sales of £6 billion. In contrast, the roughly 20 DIY superstore chains last year achieved sales of about £1.5 billion, according to the *Hardware Trade Journal*.

"It's a huge market," Jim Hodkinson, managing director of B&Q, said of the builders merchants. "If we can cream off some of that we'll be well pleased."

B&Q, the U.K.'s largest chain with 200 stores and £515 million in sales last year, recently changed its hours to accommodate trade customers, and introduced a special credit card for them.

The market share battle is perhaps fueled by the fact that almost all of the U.K.'s largest DIY players are funded by deep pocketed corporate supporters.

B&Q is owned by Woolworth's; Texas, the nation's second largest chain, is funded by Ladbroke Ltd., a hotel and entertainment business conglomerate; Payless is owned by Ward White, a manufacturer; Do it All by W.H. Smith, a retailer; Homebase by Sainsbury, one of the world's most profitable grocery chains; and Great Mills by Ready-Mix Concrete. Only Wickes, recently spun off from Wickes Cos. in a leveraged buyout, stands alone.

The expansion battle takes on added intensity because the availability of sites is further limited by the predisposition of the British to preserve rather than pave their greenery.

Available sites are limited

Petty of *The Hardware Trade Journal* suggests that this potential impediment to progress produces innovative strategies among DIY retailers.

Besides its core home center business, B&Q operates five auto centers and recently purchased a 47-store auto aftermarket retail chain called Charlie Browns. B&Q also runs three furniture stores.

This diversity could permit the company to expand into areas deemed to be already saturated with DIY stores.

Other DIY retailers are so fashion oriented that, Petty suggests, they might easily metamorphose into a specialty outlet when their DIY life cycle is spent.

Indeed the distinction between operations that emphasize fashion and those in the commodity business is much clearer in the U.K that the United States. Texas is the obvious example. The chain operates 145 high-fashion Texas Home Care stores and seven Texas Bulk outlets where the primary business is building materials. Wickes is another operation whose basic business is basics.

Stores occupy clear niche

Perhaps Homebase House and Garden Centers offer the definitive example of defining and pursuing a market, in this case the woman shopper. Each of the company's 34 stores contains a Laura Ashley specialty shop that offers coordinated window treatments, sheets, wallpaper and paint.

In a similar strategy, 32 Texas Homecare stores contain elegant-looking, two-story homes with kitchens, baths and bedrooms displayed in an elaborate maze of rooms.

While the strategy was successful, according to Texas' marketing controller Leslie Yates, it was also costly. Of the 21 Homecare stores built last year, only three contained "mews homes," as this special presentation is called.

The modified presentation has kitchen, bath and bedrooms displayed in room settings across the rear of the sales floor. Two stores recently completed in north London modified the "mews house" approach by retaining the two-story facade but eliminating the upper floor.

"The cost of construction by not having the second floor was significantly less," Yates said.

Do-It-All, the 64-unit chain, recently opened new store in Bletchley, northwest of London, that takes its current fashion orientation even further, said Jerry Ginifer, editor of *DIY Superstore*, a trade publication.

The new Do-It-All outlet separates the core DIY departments from the home fashion section, which is given a distinctive look with gun metal gray and pine fixtures, according to *DIY Superstore*.

Battling with service

As in the U.S., both commodity- and fashion-oriented chains are using service as a weapon in the battle for for customer loyalty. Lumber cutting, paint mixing and other standard services are available but the menu has been expanded.

In a new London outlet, Wickes reportedly has installed a DIY "doctor" along with a phone system in the store so the shopper can easily get advice.

At some Do-It-All stores a professional plumber is available to lend expertise to homeowners. Texas Homecare provides installation for kitchen, baths and bedrooms. At Homebase customers can rent items ranging from scaffolding to cement mixers.

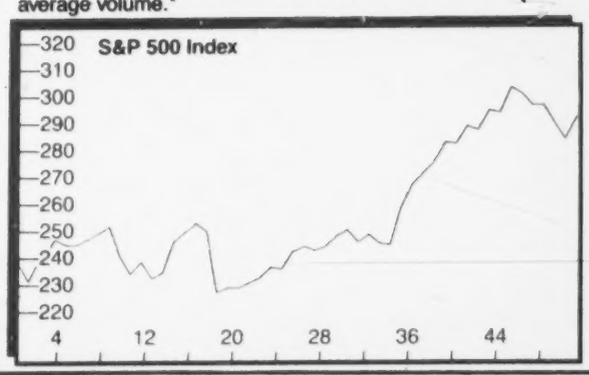
FINANCIAL NEWS

The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
5-1-87	(100)	%	%
Mor-Flo Inds ..... M	676	558.5	2.0
Forest City Ent ..... A	85	266.7	3.9
Macmillan Bloedel ..... M	56,873	266.0	- 2.6
Scotty's Inc ..... N	3,337	225.4	- 4.9
Manville Cp ..... N	24,997	220.3	18.2
Boise Cascade ..... N	25,179	214.2	- 10.0
Zayre Corp ..... N	48,510	188.4	4.8
Black & Decker ..... N	43,983	145.8	.6
Natl Hardgoods ..... M	474	142.1	- 3.1
Newell Co ..... N	2,361	139.5	.0

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Company & Market	2-Weeks Ended 5-1	2-Week Price Change	Total 2-Week Volume
Winners 5-15-87	$	%	(100)
Manville Cp ..... N	3.25	18.2	24,997
Wolohan Lumber ..... M	14.63	14.7	2,281
Home Depot ..... N	30.50	8.9	20,032
Zayre Corp ..... N	24.75	4.8	48,510
Armstrng Wrld ..... N	38.13	4.1	10,995
Forest City Ent ..... A	36.75	3.9	85
Wickes Cos ..... A	3.38	3.8	85,616
Ply-Gem ..... A	15.88	3.3	1,816
Hechinger A ..... M	23.25	3.3	5,979
Starline Inc ..... M	10.50	2.4	330
Losers 5-15-87	$	%	(100)
Potlatch Cp ..... N	30.75	- 12.5	6,215
Allegheny Int ..... N	18.63	- 11.3	11,645
La Pacific ..... N	30.13	- 10.7	14,877
Georgia-Pacific ..... N	41.75	- 10.5	67,628
Boise Cascade ..... N	69.38	- 10.0	25,179
Payless Cash ..... N	20.13	- 9.0	11,309
Weyerhaeuser ..... N	49.63	- 8.7	45,580
Natl Lumber ..... M	5.75	- 8.0	549
Stanley Works ..... N	30.88	- 6.1	3,744
Pope & Talbot ..... N	39.50	- 6.0	2,696

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 5-15-87 $	2-Weeks Change: Amt. $	2-Weeks Change: Pct. %	2-Week Range: High $	2-Week Range: Low $	52-Week Range: High $	52-Week Range: Low $	Volume: 2-Weeks Shares Traded: Total (100)	Volume: 2-Weeks Shares Traded: % Out %	Volume: 12-Week Avg. Vol. As % Out %	Volume: Volume Trend Change %	Financial Update: P/E Ratio -	Indicated Divd. Rate: Amt. $	Indicated Divd. Rate: Yld. %	Latest Report: New Report -	Latest Report: Period -	Latest Report: Date Ended -	Latest Quarter: Revenue: Amt. $Mil	Latest Quarter: Revenue: Chg. %	Latest Quarter: Net Income: Amt. $Mil	Latest Quarter: Net Income: Chg. %	Latest Quarter: E.P.S.: Amt. $	Latest Quarter: E.P.S.: Chg. %	Year-to-Date: Revenue: Amt. $Mil	Year-to-Date: Revenue: Chg. %	Year-to-Date: Net Income: Amt. $Mil	Year-to-Date: Net Income: Chg. %	Year-to-Date: E.P.S.: Amt. $	Year-to-Date: E.P.S.: Chg. %
Retailers																													
Forest City Ent ..... A	36.75	1.38	3.9	36.75	35.13	39.38	28.75	85	.11	.03	266.7	22.4	.30	.8	.....	fiscal	01-87	39.1	- 51.7	2.5	19.0	.31	14.8	232.8	- 17.2	13.1	129.8	1.64	127.8
Grace W R ..... N	65.25	- 1.13	- 1.7	67.25	64.88	69.00	45.25	14,362	3.46	3.78	- 8.5	NE	2.80	4.3	.....	3 mos.	03-87	962.6	- 23.0	39.3	NE	.83	NE	962.6	- 23.0	39.3	NE	.83	NE
Grossman's Inc ..... M	9.50	- .38	- 3.8	10.25	9.00	11.25	6.75	1,028	.51	.53	- 3.8	NE	.00	.0	.....	3 mos.	03-87	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A ..... M	23.25	.75	3.3	23.25	22.25	23.59	16.00	5,979	5.47	3.28	66.8	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	23.25	.50	2.2	23.25	22.25	23.75	16.25	732	.44	.41	7.3	25.3	.06	.3	.....	fiscal	01-87	140.3	20.1	8.7	31.8	.28	27.3	588.4	22.8	28.3	22.5	.92	17.9
Home Depot ..... N	30.50	2.50	8.9	31.88	28.00	31.88	15.88	20,032	7.20	3.27	120.2	33.9	.00	.0	.....	fiscal	01-87	273.9	34.5	7.7	196.2	.27	145.5	1011.5	44.4	23.9	191.5	.90	172.7
INTERCO Inc ..... N	39.88	- .38	- .9	41.00	39.00	47.63	36.63	9,148	3.21	2.37	35.4	12.7	1.60	4.0	.....	fiscal	02-87	651.5	11.7	31.0	.3	.99	2.1	2613.7	4.1	98.6	6.8	3.13	.7.2
K mart Cp ..... N	59.38	- 1.13	- 1.9	62.25	59.25	68.00	43.25	44,188	3.29	2.19	50.2	13.3	1.74	2.9	NEW	fiscal	01-87	6934.3	2.7	300.7	2763.8	2.23	2377.8	23812.0	6.2	598.0	170.3	4.47	158.4
Lowe's Cos ..... N	25.50	- .75	- 2.9	27.38	25.38	41.50	22.50	9,388	2.37	1.38	71.7	18.1	.40	1.6	.....	fiscal	01-87	497.4	4.6	10.0	- 11.5	.25	- 19.4	2283.5	10.2	55.1	- 7.7	1.41	- 14.0
Mich General ..... A	1.13	.00	.0	1.13	1.00	4.50	.25	1,012	.57	1.36	- 58.1	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	7.75	- .25	- 3.1	7.88	7.00	10.00	6.59	474	3.85	1.59	142.1	11.1	.00a	.0	.....	fiscal	01-87	10.6	17.8	.5	400.0	.35	400.0	36.4	8.7	1.0	100.0	.70	94.4
Natl Lumber ..... M	5.75	- .50	- 8.0	6.50	5.75	7.50	4.00	549	.97	.67	44.8	NE	.00	.0	.....	fiscal	01-87	40.2	17.2	(1.9)	NE	(.35)	NE	151.3	11.3	(2.4)	NE	(.43)	NE
Pay n Pak ..... N	20.25	.25	1.3	20.50	19.88	20.88	9.50	3,277	3.28	6.11	- 46.3	35.5	.40	2.0	.....	fiscal	02-87	83.2	11.7	.4	- 69.2	.04	- 69.2	398.4	19.4	5.7	- 30.5	.57	- 30.5
Payless Cash ..... N	20.13	- 2.00	- 9.0	22.50	20.00	27.00	15.88	11,309	3.26	1.86	75.3	16.1	.16	.8	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc ..... N	12.25	- .63	- 4.9	13.00	12.25	18.13	12.00	3,337	2.31	.71	225.4	16.6	.52	4.2	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck ..... N	51.88	- .63	- 1.2	55.75	51.50	56.00	39.00	82,154	2.20	1.35	63.0	13.5	2.00	3.9	.....	3 mos.	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Sec Merchandise ..... M	5.38	- .13	- 2.3	5.63	5.25	13.25	5.25	22,104	6.63	3.08	115.3	NE	.08	1.5	.....	3 mos.	03-87	451.0	14.8	(18.4)	NE	(.55)	NE	451.0	14.8	(18.4)	NE	(.55)	NE
Std Brd Pnt ..... N	22.00	- .75	- 3.3	23.38	22.00	27.00	19.38	3,782	3.37	2.52	33.7	16.5	.60	2.7	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Supermkts Gen ..... N	45.25	.25	.6	45.38	45.00	46.00	22.50	54,585	14.17	9.58	47.9	28.3	.28	.6	.....	fiscal	01-87	1434.5	5.8	19.1	- 11.6	.50	- 16.7	5507.9	7.5	60.9	- 4.4	1.80	- 10.1
Wickes Cos ..... A	3.38	.13	3.8	3.75	3.13	6.63	3.13	85,616	3.61	2.33	54.9	12.1	.00	.0	.....	fiscal	01-87	1408.3	NC	4.4	- 79.0	(.02)	- 100.0	4770.0	70.0	73.9	81.6	.28	154.5
Wolohan Lumber ..... M	14.63	1.88	14.7	14.88	12.88	14.63	7.50	2,281	3.89	2.29	69.9	13.3	.20	1.4	.....	3 mos.	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp ..... N	24.75	1.13	4.8	25.88	22.13	43.88	20.75	48,510	8.22	2.85	188.4	16.0	.40	1.6	.....	fiscal	01-87	1777.0	32.4	43.8	20.3	.73	17.7	5350.6	32.6	92.4	- 2.3	1.55	- 4.3
Wholesalers																													
Moore Handley ..... M	8.50	- .25	- 2.9	9.50	8.50	19.00	6.75	593	2.36	1.23	91.9	18.9	.00	.0	.....	3 mos.	03-87	23.6	15.7	.3	.0	.14	- 30.0	23.6	15.7	.3	.0	.14	- 30.0
Lewis Palmer ..... M	9.13	.00	.0	9.38	9.13	9.88	7.25	1,828	4.66	2.78	67.6	27.7	.28	3.1	.....	fiscal	01-87	46.8	53.9	.1	.0	.02	100.0	187.2	33.0	1.3	44.4	.33	43.5
Starline Inc ..... M	10.50	.25	2.4	10.75	9.50	12.75	7.84	330	1.94	2.62	- 26.0	10.8	.32b	3.0	.....	3 mos.	01-87	14.0	4.5	.3	.0	.20	33.3	14.0	4.5	.3	.0	.20	33.3
Manufacturers																													
Allegheny Int ..... N	18.63	- 2.38	- 11.3	21.00	17.88	24.75	11.38	11,645	10.75	9.69	10.9	NE	.00	.0	.....	3 mos.	03-87	310.6	- 6.4	(38.5)	NE	(3.56)	NE	310.6	- 6.4	(38.5)	NE	(3.56)	NE
Am Consum Prods ..... M	10.63	- .13	- 1.2	11.00	10.50	11.00	8.50	310	1.61	2.05	- 21.5	16.1	.00	.0	.....	3 mos.	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard ..... N	41.75	.00	.0	44.75	41.00	51.88	36.00	5,406	1.63	1.12	45.5	9.0	1.80	4.3	NEW	3 mos.	03-87	779.7	15.3	21.6	- 57.0	.65	- 50.0	779.7	15.3	21.6	- 57.0	.65	- 50.0
Am Woodmark ..... M	15.13	.25	1.7	15.75	15.00	17.13	10.00	220	.32	.75	- 57.3	14.8	.00	.0	.....	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	80.6	.79	17.9
Armstrng Wrld ..... N	38.13	1.50	4.1	38.88	36.50	44.00	24.88	10,995	2.31	1.18	95.8	14.0	.90	2.4	.....	3 mos.	03-87	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6
Black & Decker ..... N	22.00	.13	.6	22.88	21.13	22.88	14.50	43,983	7.57	3.08	145.8	36.7	.40	1.8	.....	6 mos.	03-87	438.7	5.7	9.2	475.0	.16	700.0	967.7	3.3	31.6	40.4	.54	25.6
Boise Cascade ..... N	69.38	- 7.75	- 10.0	78.00	67.00	86.88	51.50	25,179	8.64	2.75	214.2	18.3	1.90	2.7	.....	3 mos.	03-87	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed ..... N	39.00	- 1.50	- 3.7	41.88	38.75	41.88	24.63	3,099	1.63	.83	96.4	12.1	1.00	2.6	.....	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl ..... N	35.88	- 2.25	- 5.9	39.75	34.63	43.50	22.50	44,023	4.68	2.77	69.0	14.5	.64	1.8	.....	3 mos.	03-87	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
DeSoto Inc ..... N	38.63	- .38	- 1.0	39.25	38.50	43.75	34.25	658	1.67	.71	135.2	45.4	1.40	3.6	.....	3 mos.	03-87	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Enstar Corp ..... N	41.50	- .25	- .6	42.00	41.00	43.25	30.75	4,824	1.56	.92	69.6	NE	1.40	3.4	.....	3 mos.	03-87	602.6	18.2	28.0	55.6	.90	38.5	602.6	18.2	28.0	55.6	.90	38.5
Georgia-Pacific ..... N	41.75	- 4.88	- 10.5	47.38	40.25	52.75	28.00	67,628	6.30	2.64	138.6	13.3	1.00	2.4	.....	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Inaico Corp ..... N	21.38	- 1.25	- 5.5	23.13	20.75	26.25	17.38	5,163	2.49	1.56	59.6	13.1	1.00b	4.7	.....	3 mos.	03-87	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific ..... N	30.13	- 3.63	- 10.7	33.75	30.13	39.63	22.09	14,877	3.92	2.27	72.7	13.9	.80b	2.7	.....	3 mos.	03-87	422.9	31.1	16.3	1064.3	.43	975.0	422.9	31.1	16.3	1064.3	.43	975.0
Macmillan Bloedel ..... M	18.50	- .50	- 2.6	19.88	17.38	22.38	7.81	56,873	5.80	1.53	266.0	NA	.42	NA	.....	3 mos.	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp ..... N	3.25	.50	18.2	3.50	2.63	3.50	1.63	24,997	10.41	3.25	220.3	.9	.00	.0	.....	3 mos.	03-87	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp ..... N	34.75	.25	.7	37.00	33.50	40.88	23.50	18,640	1.44	.89	61.8	21.3	.36	1.0	NEW	3 mos.	03-87	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0
Mor-Flo Inds ..... M	12.75	.25	2.0	12.75	12.25	16.50	12.00	676	2.70	.41	558.5	44.0	.01	.1	NEW	3 mos.	03-87	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co ..... N	34.00	.00	.0	34.88	33.75	39.75	24.00	2,361	2.06	.86	139.5	15.2	.84	2.5	.....	3 mos.	03-87	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Owens Corn ..... N	27.00	- 1.38	- 4.8	32.38	27.00	32.38	8.88	26,383	7.04	3.94	78.7	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	15.88	.50	3.3	16.75	15.13	18.13	10.00	1,816	2.26	1.29	75.2	16.7	.12	.8	.....	3 mos.	03-87	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot ..... N	39.50	- 2.50	- 6.0	42.38	39.38	43.50	17.75	2,696	4.49	2.72	65.1	10.3	.88	2.2	.....	3 mos.	03-87	100.3	35.4	6.7	NE	1.10	NE	100.3	35.4	6.7	NE	1.10	NE
Potlatch Cp ..... N	30.75	- 4.38	- 12.5	36.75	30.50	41.88	22.75	6,215	2.34	1.00	134.0	11.6	.84	2.7	.....	3 mos.	03-87	248.6	6.6	17.8	30.9	.63	31.3	248.6	6.6	17.8	30.9	.63	31.3
Sherwin-Wms ..... N	33.75	- .38	- 1.1	37.25	32.75	38.50	22.75	7,998	1.77	1.19	48.7	14.4	.56	1.7	.....	3 mos.	03-87	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works ..... N	30.88	- 2.00	- 6.1	33.25	30.50	35.38	23.19	3,744	.86	1.07	- 17.8	15.8	.76	2.5	.....	3 mos.	03-87	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds ..... N	20.00	- .38	- 1.8	21.50	20.00	22.63	15.50	1,163	1.17	.51	129.4	14.9	.68b	3.4	.....	3 mos.	03-87	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
USG Corp ..... N	37.00	- 2.00	- 5.1	39.88	36.63	46.50	32.00	9,109	1.74	1.20	45.0	8.4	1.12	3.0	.....	3 mos.	03-87	693.2	11.4	85.0	64.4	1.65	103.7	693.2	11.4	85.0	64.4	1.65	103.7
Waller, Jim ..... N	48.75	- 2.50	- 4.9	51.75	48.13	62.25	39.50	9,686	3.05	1.45	110.3	9.3	1.40	2.9	.....	6 mos.	12-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Wausau Ind ..... M	10.75	- .13	- 1.1	11.88	10.75	13.25	6.34	985	1.50	1.35	11.1	22.9	.08	.7	.....	9 mos.	03-87	NC	NC	(.6)	- 100.0	(.10)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser ..... N	49.63	- 4.75	- 8.7	56.50	49.00	60.00	30.50	45,580	3.37	2.14	57.5	21.1	1.30	2.6	.....	3 mos.	03-87	1617.3	23.8	101.9	103.8	.75	141.9	1617.3	23.8	101.9	103.8	.75	141.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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Home Center News®

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Home Depot facing $20M lawsuit in child's death

By Laura Liebeck
NHCN staff editor

MIAMI — The family of the child who was killed by falling lumber in a Home Depot store here has filed a $20 million lawsuit against the Atlanta-based retailer.

The child's parents Elton Lee Sr. and Barbara Lee of Goulds, Fla., filed suit in Dade County Circuit Court on May 27 alleging that Home Depot was negligent in not maintaining its premises and in stacking the lumber cart incorrectly so that it fell on their seven-year-old son, Elton Lee, on May 8.

Lawrence Smith, Home Depot's vp-legal, told *NHCN* on May 29 that he could not comment on the suit because he still had not seen the papers. He described the suit as "fairly common and, I guess, expected."

He said the chain was still investigating the situation to determine what happened, adding "it was an unfortunate accident."

Elton was killed when a lumber cart, manufactured by Win-Holt, filled with

(Continued on page 62)

Lanoga consolidates two divisions

Closes 6-month-old marketing/merch. div.

By Brad Altman
NHCN staff editor

OLYMPIA, Wash. — Hoping to recover from its first unprofitable year in company history, Lanoga Corporation has consolidated its Alaskan-based Spenard Builders Supply with its Lumbermen's division based here.

The 10-unit Spenard chain was hard hit by the Alaskan oil-related recession in 1986, posting a 32 percent sales decline and closing two stores.

In related belt-tightening moves, the 130-unit Lanoga chain laid off more than two dozen employees and shuttered its six-month-old corporate merchandising/marketing office located in the Seattle suburb of Redmond.

> "[The Lanoga board] has the old lumberyard mentality,...they made short-term decisions not long-term ones."
>
> **—Monte Leen,** *former vp, merchandising/marketing, Lanoga*

The extent of the red ink flow could not be determined because the privately held company, which had estimated sales of $322 million in 1986, does not disclose financial information. Lanoga's major shareholder is the family owned, Seattle-based Laird Norton Co. Lanoga Chairman Gary MacLeod declined to be interviewed for this story.

At Spenard, 12 employees lost their jobs. The chain's president Dencil Gold resigned, but Lanoga is offering him another job at the Olympia office.

The layoffs included eight persons at the corporate buy-

(Continued on page 61)

Newly developed billboard fabric promises better looks, longevity

By Elizabeth Brent
NHCN staff editor

NEW YORK— The Outdoor Network USA introduced a new fabric for billboards here at its press conference on May 27.

The vinyl coated material, called Superflex, took five years to develop and could be a major breakthrough for outdoor advertising.

The ad is printed on the fabric and then stretched tightly across the front of the bulletin frame, and held in place by hardware at the back.

(Continued on page 61)

Superflex is a new fabric used for billboards which comes rolled in a tube and can be used more than once.

Net Sales:	$180,799,000
Cost of Sales:	$132,951,000
Gross Profit:	$47,848,000
Selling, General and Administrative Expenses:	$33,194,000
Operating Income:	$14,654,000
Interest Expense:	$2,042,000
Pretax Income:	$12,612,000
Income Taxes:	$5,546,000
Net Income:	$7,066,000
Weighted Average Shares Outstanding:	14,000,000

Easco offering nets $31 mil.

By Ariane Sains
NHCN staff editor

HUNT VALLEY, Md. — After several years of financial hard times, Easco Hand Tools appears on the road to recovery.

On May 18, the company went public with an initial stock offering of 4.5 million shares. The company raised $31 million with the issue. Company managers, who sold some of their closely held stock at the same time, raised another $15.5 million for themselves.

Easco plans to use a portion of its proceeds to pay off debt incurred

(Continued on page 61)

Wholesalers duck Canadian lumber tax

By Milford Prewitt
NHCN staff editor

OTTAWA, Ont. — Some American lumber wholesalers, in collusion with their Canadian mill suppliers, may be ducking the Canadian export tax by misclassifying construction-grade lumber as products excluded from the 15 percent duty, industry and customs officials fear.

Government officials and other industry observers are unsure how widespread the practice is. But those contacted did not think it was rampant or would weaken the export tax agreement between the U.S. and Canada.

Since certain products are excluded from the agreement, some industry operators believe some companies have found a way to import taxable products by calling them items in excluded categories.

NHCN has learned that at least one Canadian forests products producer is weighing punitive action against one of its mills' shipping and dock managers who is accused of having abetted an American friend to mislabel construc-

(Continued on page 62)

Canadian lumber exports to U.S. decline while overseas shipments expand:

	U.S. shipments	Overseas shipments
	(In million bd. ft.)	
Jan.-Feb. 1987	2,114.2	410,198
Jan.-Feb. 1986	2,260.5	340,313
	(In thousands Canadian dollars)	
Jan.-Feb. 1987	$594,354	$190,386
Jan.-Feb. 1986	$606,061	$139,689

Source: Statistics Canada
NHCN chart

While Canadian export figures are only as recent as February, comparison between the first quarters for 1987 and 1986 show that exports to the U.S. have dropped while shipments to overseas have risen.

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Dealers test upscale bath accessories but aren't ready for plunge into Euro-styles 28

NEWSBREAKS

COAST-TO-COAST TO GO PUBLIC: The Denver-based buying group has filed with the SEC for a $25.5 million public offering.

TEXAS LIEN LAW REFORM PASSES: A bill to penalize contractors for misuse or misallocation of construction funds was approved by the Texas state legislature.

FAGEN'S BUYS RETAILER: On May 22 Fagen's, Verona, Pa., acquired two-unit Eliot Whittington Builders Supply Co., Memphis, Tenn.

INDUSTRY UPDATE

Clairson on *BusinessWeek* list

NEW YORK — Clairson International, the Ocala, Fla.-based maker of storage products sold under the "Closet Maid" name, was recently named one of the top 100 small businesses in the U.S. by *BusinessWeek Magazine*

The publication evaluated more than 6,700 firms and based its assessment on three criteria: sales and earnings; growth computations; and return on capital.

Clairson ranked 45th, with sales in 1986 of $61.9 million that rose 46.2 percent over the previous year; earnings of $6.8 million up 57 percent; and return on capital up 22.9 percent.

Wickes closes 7 Western units

SANTA MONICA, Calif. — Citing unspecified "business reasons," Wickes Cos. is closing seven home centers in Texas and New Mexico that it acquired last year from W.R. Grace.

Wickes is closing Handy Dan units in Amarillo, Midland and Odessa, Texas; one Allwood unit in San Angelo, Texas; and three Allwood units in Hobbs, Santa Fe and Roswell, N.M.

A company statement said the decision to shutter the stores "was made after a careful analysis of those particular markets and the company's long-range plans for its home center operations in Texas and New Mexico."

Wickes' Irvine, Calif.-based Builders Emporium division is continuing to operate three Allwood stores in Albuquerque, one Cashway store in Las Cruces, N.M., and four Cashway stores in El Paso, Texas.

Lumber HQ opens largest unit

BRONX, N.Y.— Lumber Headquarters opened its thirteenth and largest home center here last January.

The 65,000-square-foot store is "more contractor oriented," said Richard Hoverman, gm of the Floral Park, N.Y., chain. "Already it is the number one sales volume store in the chain."

"It's a virgin market for us, and there's not as much competition."

Dixieline opens Handyman unit

SAN DIEGO — Dixieline Lumber opened the second unit it took over from Handyman in late May, raising its store count to seven. At least three other San Diego-area ex-Handymans are slated to open under the Dixieline name and format by year end.

William S. Cowling, Dixieline president, said Rancho San Diego, a 41,000-square-foot store, opened May 30. He added that the next Handyman conversion store, the 60,000-square-foot Convoy/Kearny Mesa, is targeted to open in August.

Dixieline completed its first Handyman conversion, in La Mesa, Calif., in March.

Ace rolling out DCs

OAK BROOK, Ill. — Co-op Ace Hardware continues to roll out distribution centers across the country. It has begun construction on its 360,000-square-foot facility in Huntersville, near Charlotte, N.C. This will be Ace's 14th DC, as the firm completed construction on a warehouse in Hartford, Conn., last April. It has already secured a location in Sacramento, Calif., keeping to its policy of having a DC to service stores within a 100-mile radius.

This growth mirrors Ace's overall growth, with this year's April sales running 13 percent ahead of last year's, according to John Cameron, company spokesman. Ace generated $1.61 billion in sales in 1986.

Stocks post mixed results

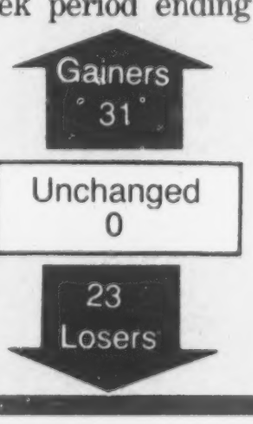
NEW YORK — Wall Street showered mixed blessings on home center stocks for the two-week period ending May 29.

Scotty's stock went up 11.2 percent to $13.63 while The Home Depot increased 9.8 percent to $33.50.

Wickes Cos. increased 7.4 percent to $3.63. Lowe's stock also increased, by 6.9 percent to $27.25.

Grossman's declined 15.8 percent to $8.00. Hechinger A fell 7.5 percent to $21.50.

See financial tables, page 58.



If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Available throughout the U.S. except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Pay 'N Pak names committee to consider takeover proposals

By an NHCN staff editor

KENT, Wash. — Pay 'N Pak Stores, which rejected as "inadequate" a takeover bid from Paul Bilzerian in April, said it has received a new bid from the Florida investor as well as one from an unidentified concern "active in the LBO field."

The Pay 'N Pak directors met June 3 to consider both proposals, but instead appointed a special committee to continue its evaluation.

Shortly before the board met, both parties bidding for Pay 'N Pak sweetened their bids for the firm. These last minute changes in bids may have resulted in the delay by Pay 'N Pak's board, which nevertheless said it was likely a decision would be reached in a matter of days.

The day the board met, Bilzerian said he had sweetened his offer by changing the type of preferred stock that current stockholders would receive.

The revised offer from Bilzerian amounted to $20.50 per share, or $205 million for all outstanding shares of the firm. This would be paid in a blend of $16.67 in cash and $3.83 in 16 percent preferred stock, for each share of outstanding stock. The second part of this bid was up slightly from the $3.33 value of the 16 percent preferred stock he had previously offered.

The second unidentified bidder had recently sweetened its own offer to $17.50 in cash and $2.50 in liquidation value of 17.5 percent cumulative preferred stock. (The company had previously offered 13.5 percent cumulative preferred stock.)

"Basically, you've got two offers on the board," said Bo Cheadle, an analyst at Montgomery Securities, who said it was noteworthy that neither bid came from the home center industry, which indicates the industry's concern over the viability of the 107-unit chain's

(Continued on page 62)

Wickes earns $84M on revenues of $5B

By an NHCN staff editor

SANTA MONICA, Calif. — It's got more assets. It's got more revenues. It's got more cash flow.

But it's still not making a lot of money.

That's the story of Wickes today versus one year ago, as described in the firm's annual report mailed to shareholders last month.

Total revenues for the company in 1986 came to $4.8 billion, a 70 percent increase over the previous year.

Yet earnings came to only $83.8 million. The 1.8 percent net margin represents more than anything else the challenge the firm faces in the coming year.

Wickes 1986 Results
($ million)

Sales	$4,770
Cost of Goods Sold	3,410
SG&A	1,100
Operating income	260
Interest	−196
Income from continuing operations	74
Net income	84

Source: Wickes 10-K — *NHCN* chart

Wickes reported 1986 earnings of $84 million, or 1.8 percent of revenues. NHCN chart

For this year's first quarter ended May 2, revenues came to $1.5 billion, and net from operations were $92 million.

Investors are waiting for improved operational results from a company that got headlines from asset plays in 1986.

The company's stock price has been recently trading around $3.50, near the lower end of the $3.33 to $7 spread experienced in 1986.

Matters aren't helped by the firm's $2.3 billion in long term debt and capitalized leases. The 68.6 percent of debt to total capitalization adds to the risk of the stock.

As a result of its well-publicized acquisitions and divestitures in the past year, Wickes feels it has created the right springboard to leap to greater profitability.

(Continued on page 61)

Beatrice spins off holding company

By an NHCN staff editor

CHICAGO — Beatrice Company is spinning off some subsidiaries, including Aristokraft kitchen cabinets and Chicago Specialty plumbing fittings, into a new public company called E-II Holdings Inc.

Beatrice registered with the Securities Exchange Commission (SEC) May 20 for an initial public offering.

The 36 million shares of common stock will probably be offered later this month or early July. It will be priced between $15 and $18 per share, according to Charles Long, director of corporate communications.

E-II to make debt offer

Part of the net proceeds will be used to repay an $80 million note to BCI Holdings, the company which acquired Beatice in April 1986 in a $6.2 billion leveraged buyout. The formation of EC-II Holdings is the last part of the reorganization of Beatrice.

Concurrently, E-II Holdings is making a debt offering of $1.5 billion, consisting of $750 million principal amount of senior subordinated notes due 1997 and $750 million principal amount of subordinated debentures due 1999. Drexel Burnham Lambert will be the sole underwriter of the debt offerings, a portion of which will be used to repay another $720 million in debt owed BCI.

Donald P. Kelly, chairman and ceo of BCI Holdings will also act as chairman and ceo of E-II Holdings Inc. NHCN photo

Acquisition divison

E-II Holdings will consist of four separate divisions: consumer products; food specialties; and two divisions formed to make acquisitions. Of these, one division will specialize in midsize acquisitions to complement the existing companies.

There are nine independently operated companies in the consumer segment including Samsonite casual furniture; Home Fashions (formerly LouverDrape); Del Mar window covering companies; Dearborn Brass; Chicago Specialty and Aristokraft. Together they generated sales of $1.1 billion in the fiscal year ending Feb. 28, 1987.

The individual companies will keep their own officers, and Donald P. Kelly, chairman and ceo of BCI Holdings, will also act as chairman and ceo of E-II Holdings.

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BUSINESS WATCH

*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales remained strong in the first quarter, but the rise in mortgage rates suggests lower starts and resales ahead.

Higher mortgage rates indicate decline in bldg. material sales

By Richard E. Mount
Special to NHCN

The sharp rise in mortgage rates, up almost a full two percentage points during April and May, will curtail housing starts and resales in the second and third quarters of this year.

Rates will remain high through 1988. Building material sales will be lower in the second half of 1987 and the recovery not as strong in 1988 due to the slackened pace in construction. For 1987, retail building material sales are now likely to increase nine percent, down from our prior forecast of 11 percent. Adjusted for price increases, unit volume sales will be up 7 percent in 1987, marking another record year.

Richard E. Mount

The *NHCN* Leading Indicator, which has proven to be a good predictor of building material sales in the past, is suggesting a rise of eight percent in unit volume.

Foreign intrigue

Interest rates are currently being driven by the international value of the dollar. As the dollar declined to its lowest level against the yen in the postwar years, money managers, fearing that the Federal Reserve would attempt to stabilize the dollar by boosting interest rates, bid up rates. Then, inflationary expectations picked up when agricultural prices began to rise at the same time.

(Continued on page 13)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1985	1986	1987
NHCN Leading Sales Indicator (January 1980 = 100)		123.4	124.7	127.9	132.1	137.1	138.6	140.2	141.8	118.5	130.4	140.3
General Economic Outlook												
	GNP $1982 Billion	3,622.3	3,655.9	3,661.4	3,686.4	3,696.1	3,735.9	3,741.7	3,761.4	3,585.2	3,675.0	3,754.6
	Real Disposable Income $1982 Bil.	2,540.7	2,581.2	2,625.8	2,605.5	2,595.4	2,612.0	2,629.9	2,645.9	2,528.0	2,602.0	2,636.8
	Housing Permits (000 SAAR)	1,741	1,834	1,822	1,678	1,695	1,695	1,575	1,550	1,733	1,762	1,668
	Housing Starts (000 SAAR)	1,797	1,938	1,878	1,758	1,702	1,801	1,620	1,600	1,742	1,806	1,655
	New Home Sales (000 SAAR)	706	791	794	685	712	711	675	670	688	749	683
	Resales (000 SAAR)	3,501	3,256	3,470	3,615	3,927	3,625	3,450	3,425	3,214	3,565	3,481
	Prime Rate %	9.5	9.4	8.6	7.9	7.5	7.5	8.1	8.5	9.9	8.4	8.2
	Mortgage Rate % (HUD)	11.8	10.8	10.1	10.2	9.7	9.1	10.3	10.4	12.5	10.2	10.1
	Consumer Price Index (1967 = 100)	326.5	327.7	326.3	328.4	330.7	335.0	339.8	341.6	322.1	328.3	340.5
	Producer Price Index (1967 = 100)	296.4	292.1	288.5	288.2	290.2	292.3	296.8	298.2	293.9	289.8	297.2
	New Housing Affordability 1980-100)	120.5	128.6	129.4	126.1	128.9	128.4	120.6	117.4	117.6	128.3	121.1
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**89,200**	**91,800**	**83,300**	**104,400**	**86,700**	**89,885**	**92,119**	**94,744**	**80,267**	**91,416**	**93,591**
	Maintenance and Repair	39,000	37,700	29,800	40,600	36,300	37,570	38,288	39,094	35,358	35,990	38,697
	Additions and Alterations	30,500	33,900	39,600	44,700	35,400	35,386	36,236	37,601	28,775	38,662	37,096
	Major Replacements	19,600	20,200	13,900	15,000	19,100	16,929	17,594	18,049	16,134	16,766	17,799
Constant	**Total Millions $1982 SAAR**	**81,453**	**83,655**	**74,114**	**96,100**	**83,969**	**82,300**	**83,510**	**85,040**	**74,614**	**84,459**	**84,400**
	Maintenance and Repair	35,633	34,355	26,514	38,900	33,569	34,400	34,710	35,090	32,864	33,334	34,900
	Additions and Alterations	27,882	30,892	35,233	42,828	32,737	32,400	32,850	33,750	26,791	35,423	33,450
	Major Replacements	17,918	18,408	12,367	14,372	17,663	15,500	15,950	16,200	15,180	15,702	16,050
Retail Trade Activity												
Current	**Total $ millions SAAR**	**1,398,048**	**1,414,624**	**1,431,108**	**1,486,596**	**1,485,648**	**1,472,336**	**1,511,155**	**1,534,076**	**1,379,621**	**1,445,875**	**1,517,873**
	Total Minus Automobile	1,091,088	1,104,376	1,109,508	1,122,908	1,133,900	1,157,804	1,166,438	1,188,030	1,067,762	1,117,943	1,178,602
	Building Material, Hardware, Garden Supply, Mobile Home	79,820	86,136	87,528	88,884	89,488	91,328	94,627	96,917	75,556	88,009	95,065
	Building Material and Supply	59,224	63,708	64,396	62,956	64,584	68,720	71,018	72,836	55,695	65,529	71,661
	Hardware	10,700	10,500	10,884	11,832	1,748	12,204	12,466	12,668	10,397	10,700	12,542
Constant	**Total Millions $1982 SAAR**	**1,297,281**	**1,315,572**	**1,347,130**	**1,387,454**	**1,375,074**	**1,346,187**	**1,368,000**	**1,375,000**	**1,287,616**	**1,356,308**	**1,367,047**
	Total Minus Automobile	1,018,123	1,035,810	1,059,027	1,064,042	1,066,022	1,070,696	1,068,000	1,077,000	1,003,247	1,056,225	1,073,674
	Building Material, Hardware, Garden Supply, Mobile Home	75,299	80,855	84,482	84,599	83,399	84,352	86,534	87,750	71,575	83,334	86,485
	Building Material and Supply	55,870	59,791	62,149	59,924	60,188	63,469	64,750	65,750	52,705	60,513	65,042
	Hardware	10,096	9,857	10,508	11,262	10,949	11,272	11,400	11,470	9,860	10,644	11,411
	Building Materials % of Total Less Automobile ($Current)	5.43	5.77	5.80	5.61	5.70	5.94	6.09	6.13	5.22	5.86	6.08

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 15, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Higher mortgage rates mean decline in sales

(Continued from page 12)

The Fed tightened its policy in the spring to stabilize the greenback, but it remains caught between concerns with the dollar and the economy. A too-rapid jump in interest rates puts markets, such as housing, autos and business equipment, into tailspins.

Mortgage rates edge up

Mortgage rates should edge back to 10.4 percent in the second and third quarters. The financial market overreacted to the Fed, and the movement in agricultural prices may be signaling temporary weather problems with planting, not sustainable prices.

By the end of 1987, rates will begin to rise anew and could reach 11.2 percent by the end of 1988. The economy will be picking up momentum, and credit demands will be up. Inflation will be running at about five percent, up from two percent in 1986, as the lower dollar forces imported prices higher and gives domestic producers increased pricing flexibility.

Housing to drop

Housing starts, especially single units, will fall in the near term. Building permits for single units declined eight percent in April. This usually leads changes in starts by one to three months. Builders continue to have too many model homes, and higher loan rates will force many to cut the asking price to reduce inventories.

Housing will not crash during this time, however. While mortgage rates will be rising, consumers' income will expand. Recently, income has been anemic in the face of a soft economy since mid-1984.

New home prices will moderate, making them more affordable. Builders will offer various buy-down programs to keep demand up. Adjustable-rate mortgages now represent less than 20 percent of the total; a few years ago they were 65 percent. With adjustables one percentage point less than fixed-rate, a shift back to ARM's combined with larger down payments and longer loan maturities would mitigate much of the rise in mortgage rates.

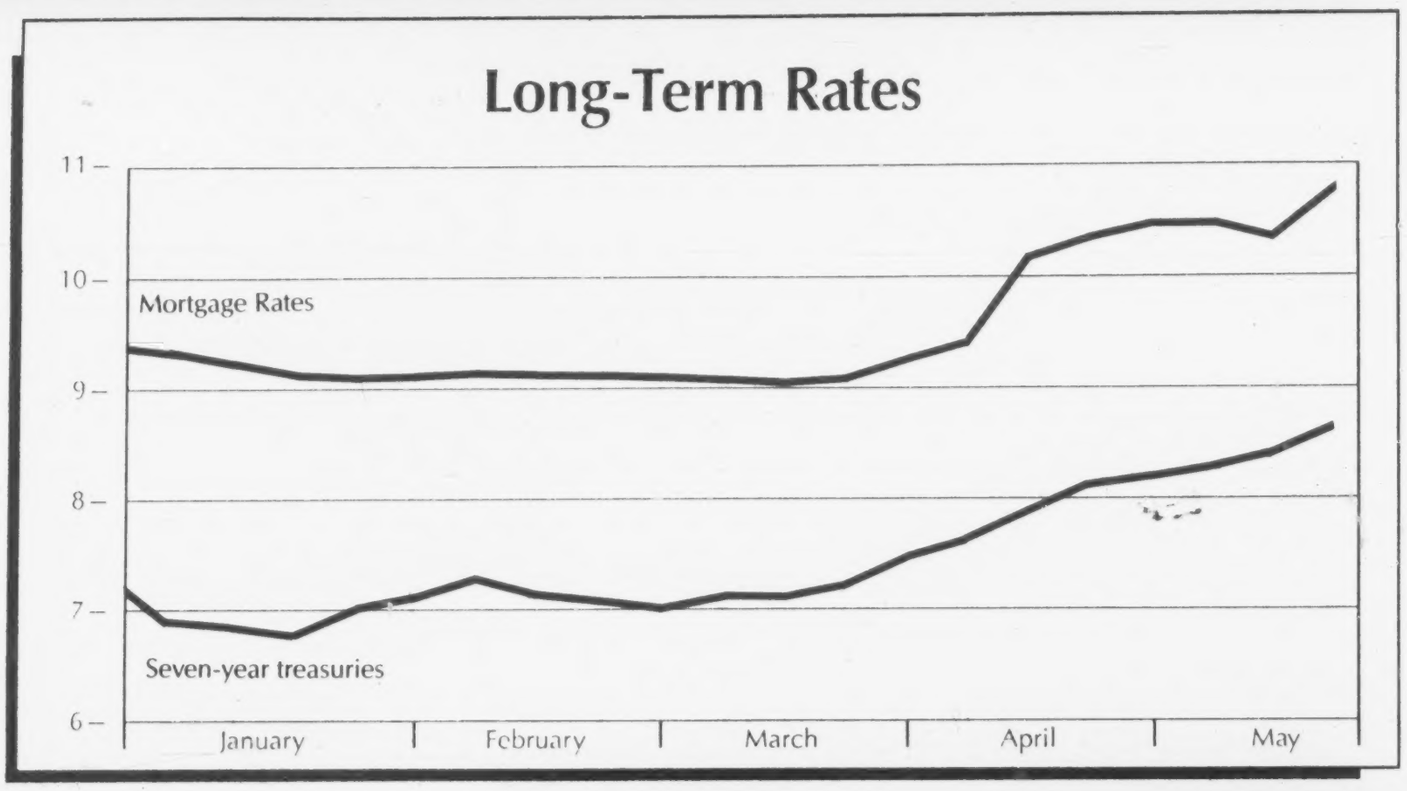
Housing starts are now expected to total 1.66 million units for 1987 and 1.63 in 1988. While down from 1.81 million in 1986, they still represent a strong level after a five-year expansion. Resales should remain near 3.45 million units during this time, down from 3.57 million in 1986. Potential home buyers will turn to resales because the price difference between new housing and resales is about $15,000.

Sales weaker than expected

Retail building material sales will not be as strong as we had expected because of weakness in single-unit housing starts, in particular, and resales to a smaller degree. Smaller builders, who have less financial resources for buy downs, will reduce starts more than larger firms.

The weakness that we had previously envisioned in housing was concentrated in multiunits, which were correcting for overbuilding and the new tax law. Multiunit construction obtains a larger part of its materials through the wholesale market than singles.

Building material sales will still post record years in 1987 and 1988, propelled by higher incomes and strength in resales. Support from new housing, however, will be less in most regional markets.



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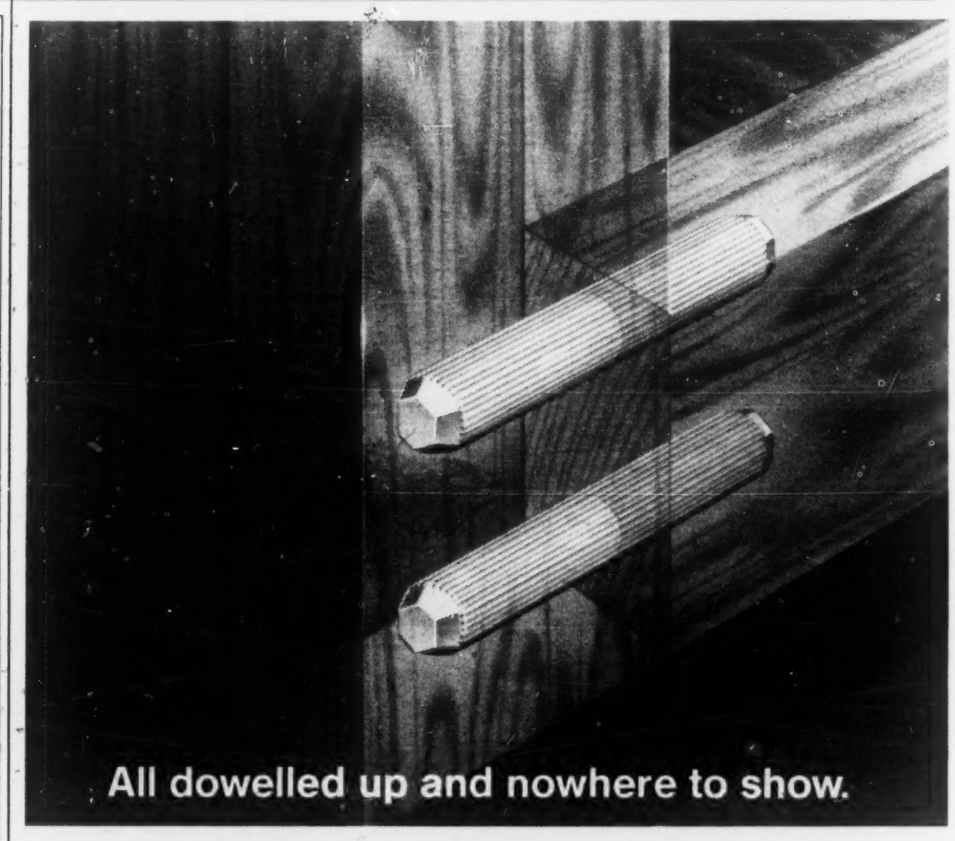

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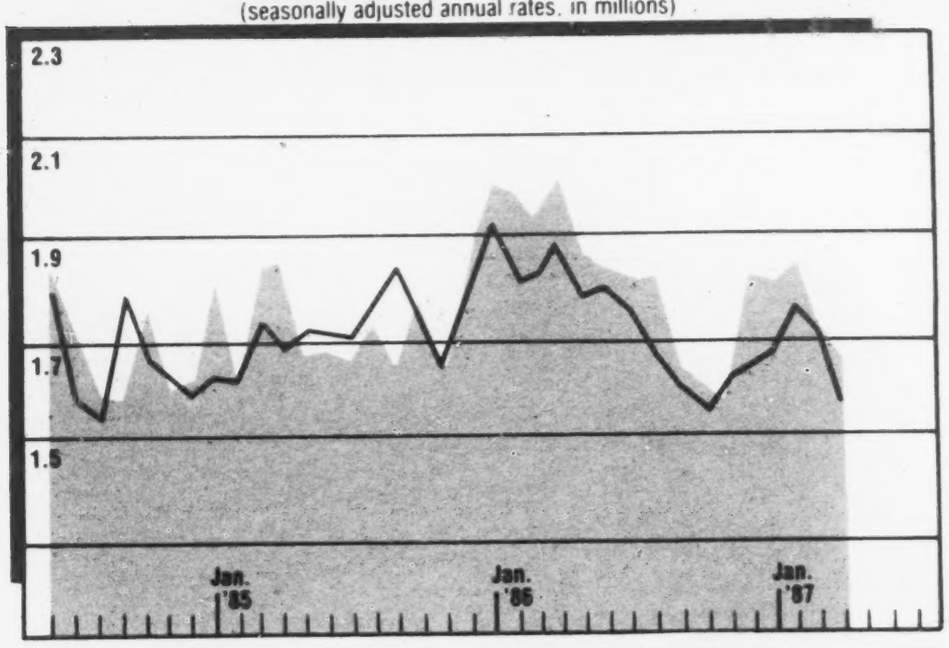
HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

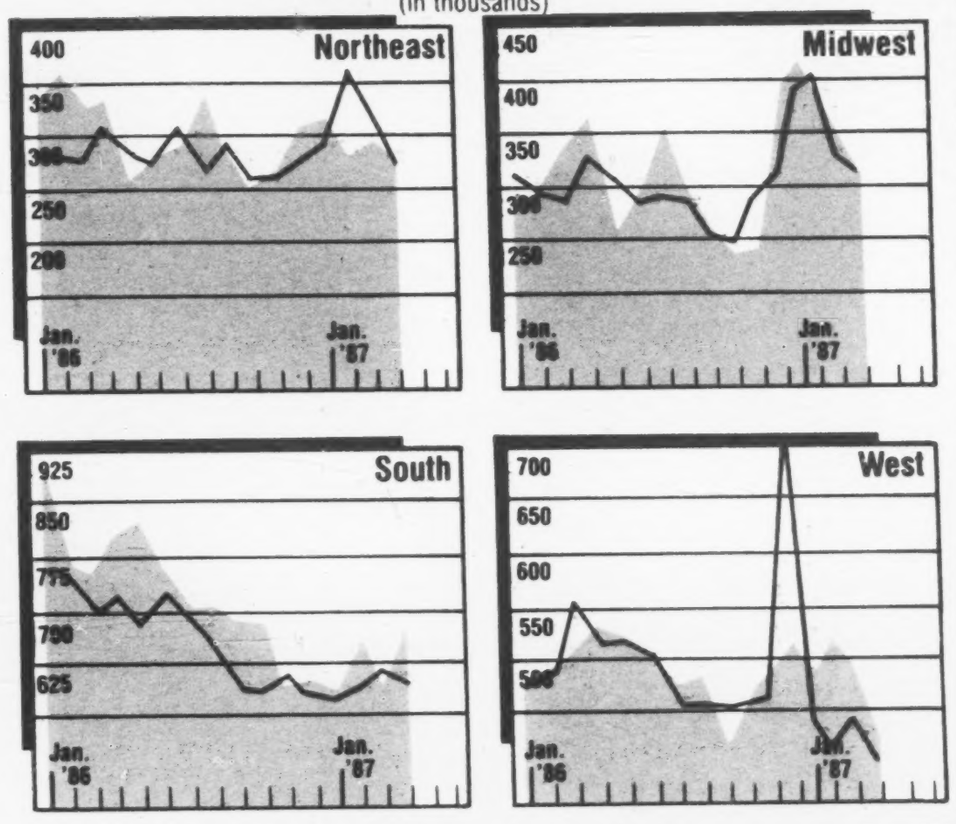


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
April '87[p]	1,699	1,599	1,250	1,061
March '87[r]	1,749	1,719	1,226	1,150
April '86[r]	1,945	1,874	1,220	1,132

Key: permits, starts

Source: U.S. Commerce Dept. [p]-preliminary [r]-revised

Regional housing starts and permits
(in thousands)



Housing activity slips in April

By an NHCN staff editor

NATIONAL REPORT — The housing industry recorded declines in April.

The number of housing permits issued across the country fell seven percent in April to 1.599 million, the lowest since December 1984. Single-family permits dropped 7.7 percent to an adjusted 1.15 million units, the U.S. Commerce Department reported.

Single-family starts rise

Housing starts slipped 2.9 percent in April to an annualized 1.699 million units, the lowest this year.

The only positive note was a two-percent rise in single-family starts, to a seasonally adjusted 1.25 million units, 2.5 percent above 1986.

All four regions of the country reported that starts and permits declined in April and activity levels were below those of April 1986.

The decline in starts and permits was expected, said Gopal Ahluwalia of the National Association of Home Builders, (NAHB). He attributed most of the decline to slipping construction of multi-family housing.

NAHB predicts that 1987 will produce 1.6 million to 1.62 million starts instead of the previously reported 1.65 million units. Single-family starts should remain at 1.15 million units.

Regional Housing
April '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	280	– 5.4	280	–11.7
West	427	–11.4	412	– 7.0
South	686	–11.5	596	– 4.5
Midwest	306	–14.0	311	– 7.2

Source: U.S. Commerce Dept.

Midwest sees large decline

The biggest decline in housing activity during April was recorded in the Midwest, where starts fell 14 percent from March to 306,000 seasonally adjusted units, 12.8 percent off April 1986. Permits fell 7.2 percent to 311,000 units, 3.4 percent below last April.

The smallest starts decline was recorded in the Northeast. Starts were down 5.4 percent to 280,000 units, 10.5 percent under 1986. This region also charted the largest drop in permits, down 11.7 percent to 280,000 units, 9.4 percent under April 1986.

Starts fell 11.4 percent in the West, to 427,000 units, 15.4 percent below last April. And permits fell seven percent to 412,000 units, 20.9 percent below last year.

In the South, starts declined 11.5 percent in April, 11.6 percent less than 1986. Permits fell 4.5 percent to 596,000 units, 17.5 percent less than April 1986.

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LUMBER REPORT

Overcapacity, interest rates worry lumber wholesalers

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Lumber and building material wholesalers are worried about a number of recent economic indicators and fear that summer building activity will not be as lucrative as in the past.

While no one is predicting that the five-year housing boom is over, many distributors fear that the rise in interest and mortgage rates, coupled with an oversupplied market, will mean tough sledding in the months ahead.

Some lumber wholesalers say scenes like the one above—a heavily inventoried lumberyard filling a small order—foster their fears of an industry downturn this summer. NHCN photo

Distributors from the Northeast to the Pacific Northwest said they are haunted by the sight of lumber dealers with long inventory positions, builders who are committing to less starts, intense price competition from fellow wholesalers and—most disturbing of all—forecasts that housing starts will not exceed 1.6 million this year. In 1986, builders put up more than 1.8 million units.

"I think our industry is going to face some serious problems later this summer, perhaps even now," said John Radomsky, sales manager for Ajayem Lumber, a large, independent wholesaler based in Walden, N.Y. "It's like we went from winter to summer with no spring.

"Dealers are coming in, telling us 'I'm really surprised that I haven't shipped like I normally do for this time of year,' " Radomsky continued. "The market is almost 60 days late in developing and everybody seems to have anticipated their inventory needs incorrectly."

Inventory piling up

H.M. (Peter) Niebling, executive vp of the North American Wholesale Lumber Associationa (NAWLA), said a recent poll of some 100 geographically dispersed members validated some of Radomsky's concerns.

Niebling said while most of the wholesalers indicated that business was good in the first quarter, there were indications that inventories are too high, fueled principally by American producers oversupplying the market.

But rising interest rates, Niebling said, have darkened the outlook of many of his members.

"Most of the people I've talked to said they had a very strong first half, but they are pessimistic about the balance of the year," Niebling said. "They don't think it is going to stay as strong as it was the first five months and I agree with that.

"We are going to see some real softness by the end of the year, but this interest rate is still the key as to what will happen to demand.

"All indications now are that we are heading into a softening in the market. And if Washington or whoever keeps raising the interest rate we are going to bring housing to a halt."

Harlan Hummel, executive vp of the National Lumber and Building Material Dealers Association (NLBMDA), said casual discussions with with retail members throughout the country have yielded some optimism and reports of strong first and second quarters, but he said the long-range signs were not encouraging.

"Everything is in place for a downturn and there is no question that there is some pessimism out there," Hummel said. "I think the general feeling is that the industry can handle mortgage rates up to 13 percent, but anything higher will not be good for business."

(For the month of April, the most recent period tracked by the Federal Home Loan Bank Board (FHLBB), the fixed effective rate for mortgages was 9.3 percent, up from 9.12 percent in March. However, the FHLBB added that in the past few weeks some banks are charging between 10.25 and 11 percent on fixed mortgage loans. The May rates are scheduled to be announced June 15.)

Roger Anderson, vp and general manager of Anderson Forest Products, a major national distributor in Kirkland, Wash., is also concerned about the recent inflation in interest rates.

"We haven't noticed a decline in business at this point, but we are worried about what's happened to interest rates," Anderson said. "In our case, one of the good things is that our customers' customers had enough committed money and projects going and they are still busy.

"But it's scary to think that for every quarter percent rise in the mortgage rates, X-number of people are eliminated from the house buying market."

Working in a raincoat

Despite the gloom, a few wholesalers believe that their colleagues are worrying prematurely and needlessly.

Stephen Sabbeth, president of Sabbeth Lumber, Deer Park, N.Y., said the weather has been as much to blame for the current downturn as anything. Sabbeth argued that neither the Canadian export tax nor creeping inflation has disrupted the market as much as the wet weather.

"The market has been slow, at least in the Northeast anyway, because we've had very bad weather for about 45 days," Sabbeth said. "I think the outlook is strong, but the immediate effects of 45 days of rain can't be ignored.

"I think the pessimism you're finding out there is from going to work everyday with a rain coat on."

Sabbeth's notion that distributors are fretting ill-advisedly is shared by Ted Bloch, president of Bloch Lumber, a Chicago wholesaler.

"I think it is baloney that interest and mortgage rates are hurting the housing market," Bloch said. "People who are worried about it are whistling in an alley.

"At the moment, I don't think it will have any impact at all. It's only a blimp and it is not clear that it is nothing more than a correction in the market.

"I mean, after all, [interest rates have] only been up a few weeks."

Rock bottom prices

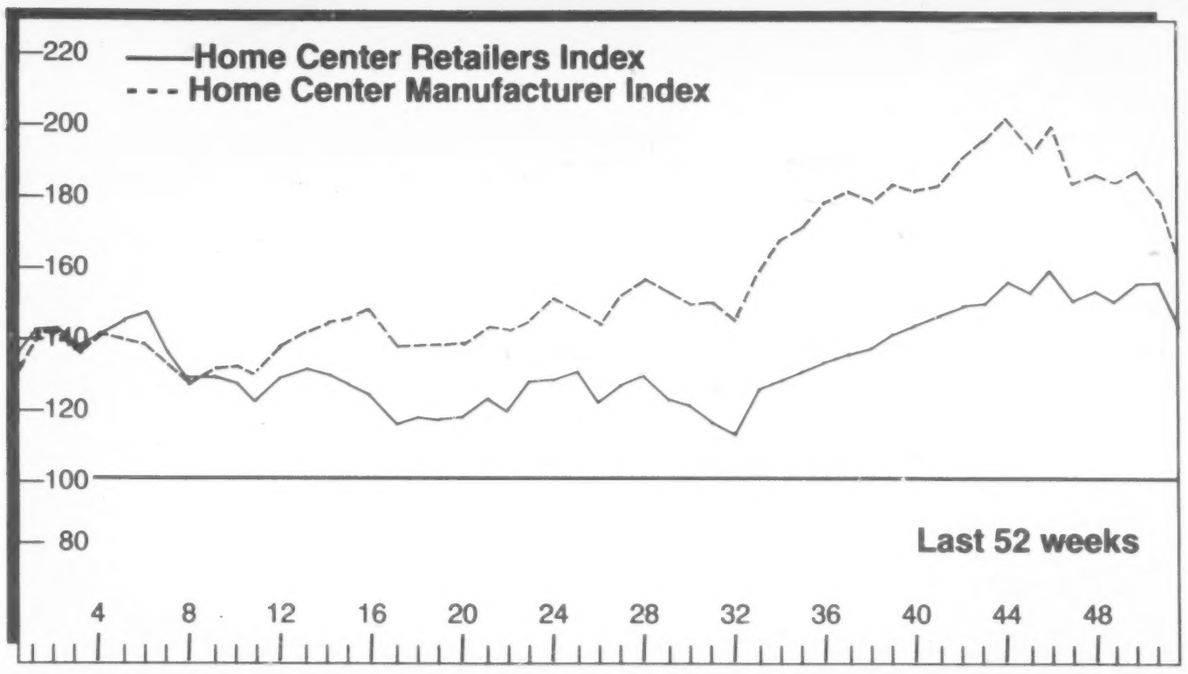
But the excessive oversupply problem has triggered a downward spiral on prices, according to Dave Bagdy, manager of lumber products for Sequoia Building Supply, Irvine, Calif.

Bagdy said competition among wholesalers is tougher with so much product in the pipeline and retailers living a close "hand to mouth" buying policy.

While Bagdy is not a doomsayer, he's not predicting that everything will come up roses, either.

"What you are looking at is a situation where your sales are not declining, but they are not as good as they would normally be either," Bagdy said. "We have been trying to work our inventory levels down and we're in pretty good shape, but with an extremely overproduced market it's going to hold prices back a bit."

FINANCIAL NEWS



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
5-29-87	(100)	%	%
Forest City Ent ..... A	131	300.0	- 1.7
Potlatch Cp ..... N	12,547	278.4	1.2
Zayre Corp ..... N	58,307	208.8	7.1
DeSoto Inc ..... N	935	196.3	.6
Armstrng Wrld ..... N	17,464	174.6	- 4.9
Lowe's Cos ..... N	14,893	162.9	6.9
Owens Corn ..... N	40,681	159.2	- 6.0
Svc Merchandise ..... M	22,782	135.1	16.3
La Pacific ..... N	17,348	132.0	.8
Payless Cash ..... N	14,761	129.0	6.2

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*

PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 5-29	2-Week Price Change	Total 2-Week Volume
5-29-87	$	%	(100)
Svc Merchandise ..... M	6.25	16.3	22,782
Manville Cp ..... N	3.75	15.4	12,673
Scotty's Inc ..... N	13.63	11.2	1,724
Home Depot ..... N	33.50	9.8	17,533
Std Brd Pnt ..... N	23.63	7.4	2,539
Wickes Cos ..... A	3.63	7.4	51,609
Zayre Corp ..... N	26.50	7.1	58,307
Lowe's Cos ..... N	27.25	6.9	14,893
Black & Decker ..... N	23.50	6.8	39,006
Payless Cash ..... N	21.38	6.2	14,761
Losers	$	%	(100)
Grossman's Inc ..... M	8.00	- 15.8	520
Natl Hardgoods ..... M	7.00	- 9.7	315
Allegheny Int ..... N	17.00	- 8.7	7,235
Hechinger A ..... M	21.50	- 7.5	7,504
Owens Corn ..... N	25.38	- 6.0	40,681
Mor-Flo Inds ..... M	12.00	- 5.9	138
Hechinger B ..... M	22.00	- 5.4	1,247
Am Woodmark ..... M	14.38	- 5.0	213
Armstrng Wrld ..... N	36.25	- 4.9	17,464
Waxman Ind ..... M	10.25	- 4.7	513

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: 2-Weeks Ended 5-29-87	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Forest City Ent ..... A	36.13	- .63	- 1.7	36.63	36.13	39.38	28.75	131	.32	.08	300.0	30.6	.30	.8	NEW	fiscal	01-87	39.2	- 51.6	(1.1)	- 100.0	.32	18.5	113.1	- 59.8	9.5	66.7	1.18	63.9
Grace W R ..... N	64.50	- .75	- 1.1	65.75	61.75	69.00	45.25	13,464	3.24	3.66	- 11.5	NE	2.80	4.3	.....	3 mos.	03-87	962.6	- 23.0	39.3	NE	.83	NE	962.6	- 23.0	39.3	NE	.83	NE
Grossman's Inc ..... M	8.00	- 1.50	- 15.8	9.50	8.00	11.25	6.75	520	.26	.40	- 35.0	NE	.00	.0	.....	3 mos.	03-87	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A ..... M	21.50	- 1.75	- 7.5	22.25	20.75	23.59	16.00	7,504	6.86	3.63	89.0	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	22.00	- 1.25	- 5.4	22.00	21.25	23.75	16.25	1,247	.76	.46	35.2	22.0	.06	.3	NEW	3 mos.	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot ..... N	33.50	3.00	9.8	33.88	29.50	33.88	15.88	17,533	6.31	3.39	86.1	29.6	.00	.0	NEW	3 mos.	04-87	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc ..... N	40.13	.25	.6	40.25	38.00	47.63	36.63	9,293	3.26	2.41	35.3	12.8	1.60	4.0	.....	fiscal	02-87	651.5	11.7	31.0	.3	.99	2.1	2613.7	4.1	98.6	6.8	3.13	7.2
K mart Cp ..... N	59.88	.50	.8	61.38	57.25	68.00	43.25	36,184	2.69	2.04	31.9	13.4	1.74	2.9	.....	fiscal	01-87	6934.3	2.7	300.7	2763.8	2.23	2377.8	23812.0	6.2	598.0	170.3	4.47	158.4
Lowe's Cos ..... N	27.25	1.75	6.9	27.88	23.25	40.75	22.50	14,893	3.76	1.43	162.9	19.1	.40	1.5	NEW	3 mos.	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Natl Hardgoods ..... M	7.00	- .75	- 9.7	7.25	7.00	10.00	6.59	315	2.56	1.23	108.1	10.0	.00a	.0	.....	fiscal	01-87	10.6	17.8	.5	400.0	.35	400.0	36.4	8.7	1.0	100.0	.70	94.4
Natl Lumber ..... M	5.63	- .13	- 2.2	6.13	5.50	7.50	4.00	236	.42	.52	- 19.2	NE	.00	.0	.....	fiscal	01-87	40.2	17.2	(1.9)	NE	(.35)	NE	151.3	11.3	(2.4)	NE	(.43)	NE
Pay n Pak ..... N	20.75	.50	2.5	21.00	19.63	21.00	9.50	7,282	7.28	6.50	12.0	36.4	.40	1.9	NEW	fiscal	02-87	82.9	10.1	.4	- 69.2	.04	- 69.2	398.1	19.7	5.7	- 30.5	.57	- 30.5
Payless Cash ..... N	21.38	1.25	6.2	21.75	19.63	27.00	15.88	14,761	4.26	1.86	129.0	17.1	.16	.7	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc ..... N	13.63	1.38	11.2	13.75	12.00	18.13	12.00	1,724	1.19	.71	67.6	18.4	.52	3.8	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck ..... N	51.00	- .88	- 1.7	53.00	50.00	56.00	39.00	70,628	1.89	1.27	48.8	13.2	2.00	3.9	.....	3 mos.	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Svc Merchandise ..... M	6.25	.88	16.3	6.38	5.38	13.25	5.25	22,782	6.84	2.91	135.1	NE	.08	1.3	.....	3 mos.	03-87	451.0	14.8	(18.4)	NE	(.55)	NE	451.0	14.8	(18.4)	NE	(.55)	NE
Std Brd Pnt ..... N	23.63	1.63	7.4	24.25	21.75	27.00	19.38	2,539	2.26	2.52	- 10.3	17.8	.60	2.5	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Supermkts Gen ..... N	45.50	.25	.6	46.75	45.00	46.75	22.50	51,652	13.41	10.13	32.4	28.4	.28	.6	.....	fiscal	01-87	1434.5	5.8	19.1	- 11.6	.50	- 16.7	5507.9	7.5	60.9	- 4.4	1.60	- 10.1
Wickes Cos ..... A	3.63	.25	7.4	3.63	3.13	6.63	3.13	51,609	2.17	2.36	- 8.1	12.9	.00	.0	.....	fiscal	01-87	1408.3	NC	4.4	- 79.0	(.02)	- 100.0	4770.0	70.0	73.9	81.6	.28	154.5
Wolohan Lumber ..... M	14.25	- .38	- 2.6	14.38	13.75	14.63	7.50	1,484	2.53	2.26	11.9	13.0	.20	1.4	.....	3 mos.	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp ..... N	26.50	1.75	7.1	27.13	23.50	43.88	20.75	58,307	9.88	3.20	208.8	16.3	.40	1.5	NEW	3 mos.	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers																													
Moore Handley ..... M	9.00	.50	5.9	9.25	8.25	19.00	6.75	258	1.03	1.15	- 10.4	20.0	.00	.0	.....	3 mos.	03-87	23.6	15.7	.3	.0	.14	- 30.0	23.6	15.7	.3	.0	.14	- 30.0
Lewis Palmer ..... M	9.13	.00	.0	9.13	8.88	9.88	7.25	1,845	4.61	2.79	65.2	22.8	.28	3.1	NEW	3 mos.	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanline Inc ..... M	10.25	- .25	- 2.4	10.88	10.00	12.75	7.84	437	2.58	2.67	- 3.4	10.6	.32b	3.1	.....	3 mos.	01-87	14.0	4.5	.3	.0	.20	33.3	14.0	4.5	.3	.0	.20	33.3
Manufacturers																													
Allegheny Int ..... N	17.00	- 1.63	- 8.7	18.50	16.00	24.75	11.38	7,235	6.68	10.03	- 33.4	NE	.00	.0	.....	3 mos.	03-87	310.6	- 6.4	(38.5)	NE	(3.56)	NE	310.6	- 6.4	(38.5)	NE	(3.56)	NE
Am Consum Prods ..... M	10.75	.13	1.2	10.75	10.38	11.00	8.50	140	.73	.96	- 24.0	16.3	.00	.0	.....	3 mos.	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard ..... N	42.38	.63	1.5	43.50	38.25	51.88	36.00	6,082	1.83	1.05	74.3	9.2	1.80	4.2	.....	3 mos.	03-87	779.7	15.3	21.6	- 57.0	.65	- 50.0	779.7	15.3	21.6	- 57.0	.65	- 50.0
Am Woodmark ..... M	14.38	- .75	- 5.0	15.00	14.00	17.13	10.00	213	.31	.31	.0	14.1	.00	.0	.....	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrng Wrld ..... N	36.25	- 1.88	- 4.9	38.00	33.50	44.00	24.88	17,464	3.68	1.34	174.6	13.3	.90	2.5	.....	3 mos.	03-87	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6
Black & Decker ..... N	23.50	1.50	6.8	23.88	22.00	23.88	14.50	39,006	6.71	3.06	119.3	39.2	.40	1.7	.....	6 mos.	03-87	438.7	5.7	9.2	475.0	.16	700.0	957.7	3.3	31.6	40.4	.54	25.6
Boise Cascade ..... N	68.88	- .50	- .7	71.50	65.25	86.88	51.50	13,645	4.68	2.63	77.9	18.1	1.90	2.8	.....	3 mos.	03-87	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed ..... N	39.50	.50	1.3	39.50	35.50	41.88	24.63	1,433	.75	.84	- 10.7	12.2	1.00	2.5	.....	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl ..... N	34.63	- 1.25	- 3.5	36.75	33.50	43.50	22.50	55,355	5.88	2.78	111.5	14.0	.64	1.8	.....	3 mos.	03-87	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
DeSoto Inc ..... N	38.88	.25	.6	38.88	38.25	43.75	34.25	935	2.37	.80	196.3	45.7	1.40	3.6	.....	3 mos.	03-87	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Enhart Corp ..... N	42.50	1.00	2.4	42.63	40.50	43.25	30.75	4,514	1.46	.91	60.4	NE	1.40	3.3	.....	3 mos.	03-87	602.6	18.2	28.0	55.6	.90	38.5	602.6	18.2	28.0	55.6	.90	38.5
Georgia-Pacific ..... N	42.25	.50	1.2	44.50	40.25	52.75	29.00	46,435	4.33	2.62	65.3	13.4	1.00	2.4	.....	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Insilco Corp ..... N	21.88	.50	2.3	22.38	20.88	26.25	17.38	2,733	1.32	1.43	- 7.7	13.4	1.00b	4.6	.....	3 mos.	03-87	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific ..... N	30.38	.25	.8	30.88	27.75	39.63	22.09	17,348	4.57	1.97	132.0	14.1	.80b	2.6	.....	3 mos.	03-87	422.9	31.1	16.3	1064.3	.43	975.0	422.9	31.1	16.3	1064.3	.43	975.0
Macmillan Bloedel ..... M	18.38	- .13	- .7	18.63	17.00	22.38	8.00	7,872	.77	1.40	- 45.0	NA	.42	NA	.....	3 mos.	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp ..... N	3.75	.50	15.4	3.75	2.88	3.75	1.63	12,673	5.28	2.64	100.0	1.0	.00	.0	.....	3 mos.	03-87	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp ..... N	35.38	.63	1.8	35.63	30.50	40.88	23.50	26,382	2.04	.93	119.4	21.7	.36	1.0	.....	3 mos.	03-87	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0
Mor-Flo Inds ..... M	12.00	- .75	- 5.9	12.50	12.00	16.50	12.00	138	.55	.43	27.9	41.4	.01	.1	.....	3 mos.	03-87	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co ..... N	34.13	.13	.4	34.63	31.50	39.75	24.00	1,498	1.31	.73	79.5	15.2	.84	2.5	.....	3 mos.	03-87	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Owens Corn ..... N	25.38	- 1.63	- 6.0	26.63	22.38	32.38	8.88	40,681	10.86	4.19	159.2	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	16.13	.25	1.6	16.50	15.13	18.13	10.00	927	1.16	1.11	4.5	17.0	.12	.7	.....	3 mos.	03-87	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot ..... N	38.75	- .75	- 1.9	40.13	38.25	43.50	17.75	935	1.56	2.50	- 37.6	10.1	.88	2.3	.....	3 mos.	03-87	100.3	35.4	6.7	NE	1.10	NE	100.3	35.4	6.7	NE	1.10	NE
Potlatch Cp ..... N	31.13	.38	1.2	32.00	26.75	41.88	23.25	12,547	4.73	1.25	278.4	11.8	.84	2.7	.....	3 mos.	03-87	248.6	6.6	17.8	30.9	.63	31.3	248.6	6.6	17.8	30.9	.63	31.3
Sherwin-Wms ..... N	34.75	1.00	3.0	34.75	31.38	38.50	22.75	5,561	1.23	1.11	10.8	14.9	.56	1.6	.....	3 mos.	03-87	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works ..... N	31.63	.75	2.4	32.50	29.63	35.38	23.19	5,742	1.35	.82	64.6	16.2	.76	2.4	.....	3 mos.	03-87	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds ..... N	19.50	- .50	- 2.5	19.88	18.25	22.63	15.50	637	.64	.47	36.2	14.6	.68b	3.5	.....	3 mos.	03-87	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
USG Corp ..... N	36.38	- .63	- 1.7	36.88	31.00	46.50	31.00	13,423	2.56	1.13	126.5	8.3	1.12	3.1	.....	3 mos.	03-87	693.2	11.4	85.0	64.4	1.65	103.7	693.2	11.4	85.0	64.4	1.65	103.7
Walter, Jim ..... N	50.38	1.63	3.3	51.00	44.75	62.25	40.38	10,772	3.39	1.51	124.5	9.6	1.40	2.8	.....	6 mos.	02-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Waxman Ind ..... M	10.25	- .50	- 4.7	10.50	9.75	13.25	6.34	513	.78	.78	.0	21.8	.08	.8	.....	9 mos.	03-87	NC	NC	(.6)	- 100.0	(.10)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser ..... N	49.00	- .63	- 1.3	50.75	44.75	60.00	30.50	53,193	3.93	2.01	95.5	20.9	1.30	2.7	.....	3 mos.	03-87	1617.3	23.8	101.9	103.8	.75	141.9	1617.3	23.8	101.9	103.8	.75	141.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Canadian lumber finding its way to U.S. without tax

(Continued from page 1)
tion-grade material in an attempt to skirt the tax.

An American wholesaler spoke of losing business to a competitor who "deliberately" mislabeled lumber.

Steve Lunney, a Canadian customs officer, said that companies found to have engaged in the deceptive practices could face retroactive criminal fraud indictments, have export privileges revoked, and be subject to fines up to $25,000.

Ironically, Lunney's agency, at the moment, can't do audits because his office—the task force on softwood lumber, part of the Department of National Revenue's customs and excise office—has no enforcement power since the Canadian government has yet to approve the export tax, as embodied as one of the terms of the agreement with the U.S.

Law passes one hurdle

Although Canada's House of Commons recently approved a law to tax U.S.-bound lumber, the legislation has to move through three more parliamentary stages before the tax is official.

Up until now, Canada's lumber exporters and remanufacturers have been following a quasilegal agreement worked out December 30 between Canada and America to tax lumber exports at 15 percent FOB of the mill value. Companies shipping to the U.S. have collected the tax voluntarily and forwarded the proceeds to Canada's provincial tax authorities.

Charges that some companies may be deceiving customs officials and cheating Canada out of a portion of its projected $500 million lumber export revenues are merely the latest attacks against the controversial agreement.

Lumber as 'water bed stock'

One of those making the accusation is Roger Anderson, general manager and vp of Anderson Lumber Co., a national distributor based in Kirkland, Wash. Anderson said his company lost a bid to a competitor in March because the other wholesaler deliberately misclassified construction-grade lumber on export documents as "waterbed stock."

Anderson was stunned when the competitor was able to underbid his company substantially—even though both concerns were ordering from the same mill—and initiated his own investigation. He discovered along the way that other wholesalers were using the excluded fencing stock category as another deceptive way to bring in Canadian construction-grade lumber without paying a tax.

"I just couldn't figure it out at first," Anderson said. "The customer was a good friend of mine and I asked him to check his paperwork because I knew what mill the material was coming from.

"He looked at his bill of lading and 2-foot-by-10-foot KD hemlock was listed as water bed stock. I called the mill and they told me they heard about it, but that they were not party to it."

(One Canadian customs official noted that while there is no "water bed stock" among the 23 items excluded from the agreement, it is conceivable that an unscrupulous importer could hide construction products in another category.)

Mills' role questioned

That the mills may not be aware that some wholesalers are doctoring the books to avoid the tax has some credence, according to Sheila McGinn, manager of the task force on softwood lumber, whose office in the Department of National Revenue in Ottawa will eventually be empowered to police the law and conduct audits.

The marketing executive of the aforementioned Canadian forest products company which intends to punish the mill shipping worker, objected to contentions that Canadian companies are avoiding the tax through deceptive export practices.

The executive, who requested that he and his company remain anonymous, said the incident at his company was a "single, isolated occurrence." He said he fears, however, that some quarters within the industry would blow the incident out of proportion as evidence of rampant export violations.

"I travel around in this industry as much as anyone," he said. "I'm on the phone practically by the minute and I can tell you emphatically that the Canadian lumber industry is living up to the letter of this agreement."

But Anderson countered that abiding by the agreement can backfire. "Every time it happens a wholesaler gains an immediate 15 percent advantage over guys like ourselves who are playing by the rules," he said.

H.M. (Peter) Niebling, executive vp of the North American Wholesale Lumber Association, had heard rumors about illicit practices, but considered them to be a "drop in the bucket."

"With all the people who are involved in this, I can't believe that there aren't some who have not tried to circumvent the law," Niebling said. "But I also have to believe that Revenue Canada and the U.S. Customs people are sharp enough to catch it."

Home Depot facing $20 million lawsuit in death of 7-year-old Florida boy

(Continued from page 1)
more than 1,100 pounds of plywood broke and fell on him while he was shopping in the Home Depot store in Perrine, Fla., in suburban Miami.

Jonathan Holtz, president of Win-Holt based in Garden City, N.Y., said that Home Depot uses carts from a variety of vendors and he claims to have been told that "they are not sure whose carts" caused the injuries.

(The cart had been identified as one made by Win-Holt by police on the scene.)

In addition to the Lees' suit against Home Depot, Elton's grandfather, Thomas Lee, who was with the child at the time of the accident, filed suit against the retailer for the same reasons as his parents, said attorney Stephen Malove with the law firm of Spence, Payne, Masington, Grossman and Needle, Miami, legal counsel for the Lee family.

The Lee case is not the only pending lawsuit related to an accident involving the Win-Holt lumber cart in a Home Depot store.

1986 suit goes to trial

This summer, the case of *Armstrong v. Win-Holt, Cox Sales and Service and The Home Depot* goes to trial in Miami.

That case seeks compensation for Ralph Armstrong, 44, an electrician from Miami who was injured when a Win-Holt lumber cart flipped over on him at the Home Depot store located at Skylake Mall on Miami Gardens Drive in September 1985, according to his attorney, Rick Gunion.

Cox Sales and Service was the company retained by Home Depot to maintain the lumber carts, Gunion said. Smith said he could not say with certainty if Cox was retained to service the carts at the Perrine store.

At the time of Armstrong's accident, Gunion said the electrician was unloading three sheets of gypsum from the Win-Holt lumber cart—which "may be" the same model involved in the Lee accident—in the loading dock area of the Home Depot store.

Gunion said Armstrong was unloading his purchase from a "wobbly" cart on an incline in the pavement. The cart flipped over onto Armstrong when he tried to stop it from rolling down the incline and into someone else, his attorney said.

As a result of the accident, Gunion said Armstrong has incurred medical bills for back and neck injuries totaling $70,000.

Win-Holt's attorney, Dill Rosenfeld, said he had no information on the accidents, or the Armstrong suit.

Carts termed 'dangerous'

Win-Holt has not been named in the Lee case, said Maslove, adding that no decision has been made on whether to include it.

In a May 28 interview with the *Miami News* on the Lee case, J.B. Spence of Spence, Payne, said that Elton's accident stemmed from the cart. "We're saying they're very dangerous," he said.

"The cart was loaded incorrectly," said Detective Thomas Romagni of the Metro Dade Police Department, Homicide Bureau, who was investigating the case. He said the middle retaining bar of the lumber cart was missing. Romagni noted: "The cart didn't fall over. It was broken."

Pay 'N Pak group considers bids

(Continued from page 2)
format and direction.

"The Pay 'N Pak board will have to work out which is the most attractive offer."

Underscoring his eagerness to conclude a deal, Bilzerian said his company, Bicoastal Financial Corp., "has already submitted a complete merger agreement" that he is ready to sign immediately. Pay 'N Pak noted that Bilzerian's acquisition proposal would be subject to a physical inventory of the company's merchandise scheduled on June 30.

Pay 'N Pak said that the second offer is contingent upon "arrangement of certain financing," and that the party involved "was confident in its ability to get the financing on a timely basis."

The second offer is "conditioned upon a satisfactory agreement with Pay 'N Pak management regarding its equity participation in the new company," Pay 'N Pak added.

On June 1, when Pay 'N Pak announced it had found the potential second buyer, it refused to identify the party. Bilzerian said he did not know the identity of the party, but his company had "certainly tried to find out."

"It sounds like someone Solomon Brothers [Pay 'N Pak's investment banker] has dealt with before." Bilzerian said.

In a related development, Bilzerian, 36, is being investigated by the government for possible securities-law violations over Bilzerian's dealings in a number of stocks which became targets of tender offers by him, including Cluett, Peabody & Co. and Hammermill Paper Co.

Group Val gets Bricoleur stores

(Continued from page 3)
tion was itself a joint venture between Groupe Val and Provigo, one of the largest supermarket and drug chains in Canada.

Provigo has since sold off its 50 percent holding in the Brico operation.

Realign fiscal years

"Their [Bricoleur] stores are about 50,000 square feet, so they lend themselves to that concept," Michaud said.

The merger will give Groupe Val a total of 17 stores, and 960 employees. Michaud said the stores are expected to do $110 million in sales this fiscal year, with net earnings of $3 million.

The two companies will realign their fiscal years because Groupe Val's ends in October, but Bricoleur's ends in March.

Groupe Val's stores had sales of $73 million for fiscal 1986. The Bricoleur stores had sales of $40 million.

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Computer error forces Gen. Host to slow growth

By Phillip M. Perry
NHCN staff editor

STAMFORD, Conn. — A computer error that caused it to under-record its product purchases has led General Host to severely cut back on the expansion of its retail nursery division, a move that one company official conceded could give some breathing room to home centers competing with expanding lawn and garden departments.

General Host: Vital Stats
(in millions $)

Total Assets	$691.5
Total Liabilities	488.7
Shareholders' Equity	202.8
1986 Revenues	683.4
1986 Net Income	4.7

Source: General Host; *NHCN* chart

One year ago, General Host embarked on a campaign to roll out 60 new Frank's Nursery and Flower Time stores in markets from Minnesota to Florida. The 1986 expansion pace

(Continued on page 55)

Bilzerian loses bid to buy Pay 'N Pak after mgmt. offer

By Brad Altman
NHCN staff editor

KENT, Wash. — Florida investor Paul Bilzerian has apparently lost in his bid to win control of Pay 'N Pak Stores based here.

The aggressive financier's fourth offer for the 106-unit retailer was rejected by company directors on June 11, and the following day a group of senior managers led by chairman David Heerensperger began a $212.5 million tender offer.

[Seattle newspapers reported on June 16 that two lawsuits—filed by shareholders Barnett Stepak and William Steiner in King County (Wash.) Superior Court and a shareholders group in Philadelphia—are attempting to stop this transaction.]

[On the same day, Pay 'N Pak held its annual meeting in Seattle, at which the takeover bid took up most of the 40-minute session. One of the major concerns of shareholders was the amount of debt the investors group would incur in order to purchase the chain.]

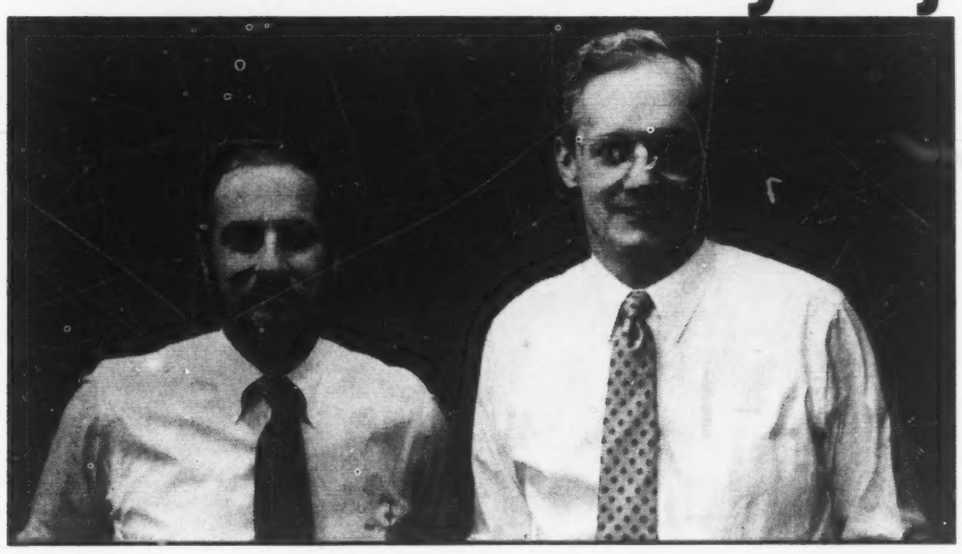
Bilzerian, although claim-

(Continued on page 55)

David Heerensperger could get the last laugh as his offer to buy Pay 'N Pak Stores has been accepted by the firm.
NHCN photo

Coast to Coast eyes joint venture with BMA

Company readies public offering



Richard Bard, chairman (left), and Ralph Dillon, president of Coast to Coast, the Denver franchised wholesaler which is set to go public.
NHCN photo

By an NHCN staff editor

DENVER — Coast to Coast Stores, which earlier this year called off plans to merge with Greenville, S.C.-based Builder Marts of America, is now discussing the development of a joint venture with BMA.

Under terms of the program, Coast to Coast will provide hardlines for Builder Marts' dealers and BMA will provide "building materials for our stores," chairman Richard H. Bard said.

"The program is being developed now and will be in full swing in the fall," Bard added. BMA currently provides lumber and building materials distribution to 750 independent lumber dealers in 1,700 locations.

As CoastAmerica Corp.—formerly known as Coast Holding Co.—prepares to go public, Bard said he isn't closing the doors to a possible "merger or acquisition, if the parameters are right."

(Continued on page 56)

Hawaiian firm gains DIY edge with buyouts

By Elizabeth Brent
NHCN staff editor

HONOLULU — Seven months ago Monarch Building Supply was a single-unit independent crammed into 65,000 square feet and selling roofing to contractors.

Today Monarch has six units and is one of the largest lumber and building materials retailers in Hawaii. It dominates the neighbor islands outside of Honolulu where 80 percent of the population live.

Its acquisition of five stores has given Monarch a foothold in the DIY market on the islands of Maui and Hawaii. Monarch now has the ability to facilitate future acquisitions.

Monarch's expansion was financed by its Australian parent Watkins-Pacific, based in Brisbane. The cost of the acquisitions wasn't revealed.

Honolulu, a one-site location, will most likely be an expansion target, even though land there is sold at a premium. Here, Mon-

(Continued on page 55)

Doubt cast on mfg. liability in Depot suit

By an NHCN staff editor

MINEOLA, N.Y. — Doubt has been cast on whether the cart involved in the death of a young boy in a Home Depot last month, which precipitated a $20 million lawsuit against the Atlanta chain, was supplied by Win-Holt.

On June 15, Lawrence Smith, Home Depot's gen-

(Continued on page 55)

Retailers report growing nail shortage

By Gary S. Ruderman
NHCN staff editor

NATIONAL REPORT — Nails, the nation's basic building commodity, appear to be in short supply, retailers report.

In the Northwest, one large retailer's July allocation of imported nails was on the shelves by the first week of June. Three thousand miles east, Somerville Lumber's stores started calling the buying office last month wondering where the nail shipments were, only to learn that Asian shipments were being held up.

(Continued on page 56)

Fluctuations in foreign currencies have Oriental nail suppliers cutting back on production which has caused shortages.
NHCN photo

INSIDE

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East moves West in effort to stall yen 28

Plastic tool boxes make a comeback 34
Import tool prices rise, dealers look to U.S. 36

NEWSBREAKS

MOORE-HANDLEY TO BUY DISTRIBUTOR: The Birmingham, Ala., wholesaler plans to acquire the wholesale division of Pleasants Hardware Co., based in Winston-Salem, N.C., with sales last year of about $15 million.

SCOTTY'S STRETCHES NORTH: The Winter Haven, Fla., retailer says it will open a 32,000-square-foot store in Macon, Ga., June 17, marking the northernmost penetration. It has scheduled a July 6 opening of the first of three stores in Mobile, Ala., a 49,000-square-foot unit.

INDUSTRY UPDATE

Sears opens 1st Fla. paint unit

NATIONAL REPORT — Sears opened a Paint and Hardware store in Coral Gables, Fla., earlier this month as the first in a series of eight such stores to be rolled out in southern Florida between now and October.

The Coral Gables unit brought the total of such stores to 41. The company said it expected to have a total of about 100 such stores by the end of this year.

New markets for the stores include Denver. One such store is slated to open in the city and in the suburb of Aurora, Colo., in July. The company also expects to open a store in Houston by the end of this month.

Fla. ad tax under question

TALLAHASSEE, Fla.— Following a barrage of complaints and the filing of lawsuits over the controversial five percent service tax here, Governor Robert Martinez has asked the state Supreme Court for an advisory opinion on the law's constitutional validity.

While the suits challenge the tax ruling on both state and federal levels, the opinion would be directed only at state matters.

When issued, the advisory opinion would be used as guidance to the lower courts in Florida.

Oral arguments were scheduled to be held before the Supreme Court on June 22.

The law adds a five percent tax on national and local advertising in the state and also includes public relations, accounting, legal and other professional services (*NHCN*, May 18).

In addition to affecting Florida home centers, the tax will affect manufacturers who place national advertising in the state.

Law will allow integrity tests

WASHINGTON — Pre-employment integrity tests will be allowed if a federal bill that proposes to outlaw the use of electronic lie detection passes in Congress.

As a result of a new amendment to controversial House bill H.R. 1212, employers will retain the right to conduct written integrity tests (*see story on page 46*) and personal interviews in pre-employment processing.

In an earlier version of the bill, written tests and interviews would have been outlawed had the measure become law.

The bill remains in the House Education and Labor Committee, but it could not be determined by press time when it would reach the House floor.

Most retailers are opposed to H.R. 1212 as they would prefer to continue the use of polygraph testing in pre-employment screening.

Pay 'N Pak trial set for Sept.

SEATTLE — The long-running antitrust lawsuit by Thurman Industries against Pay 'N Pak stores is now less than three months from trial, which has been set for September 21 in federal court here.

The suit was brought in 1984 by Thurman. Thurman is a privately held company with 10 stores in Washington and Montana, against Pay 'N Pak, which has 106 stores in 17 states.

Thurman claims Pay 'N Pak has used its market clout to unfairly hurt its business and asks $3 million in damages.

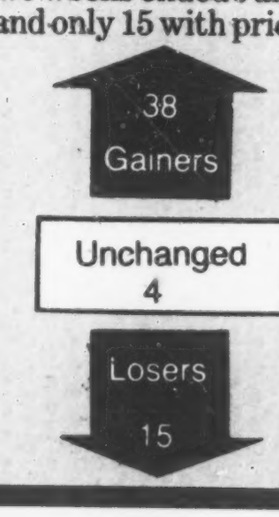
Home center stocks soar

Home center stocks soared in the two weeks ended June 12, with 38 companies showing gains and only 15 with price drops. Four stocks were flat.

Wickes Cos. led the charge among dealers with a 24.1 percent increase to $4.50 per share, followed by Grossman's Inc. with an 18.8 percent gain to $9.50.

Supermarkets General, the parent of Rickel Home Centers which is in the process of being taken over by a management buyout group, saw its stock price plummet 14.8 percent to $38.75.

See financial tables, page 54.



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Home center operators record winning first-quarter figures

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — While principal beneficiaries of the home center business rebound still can't believe their good fortune, midway through 1987 it seems the industry has a winning year on its hands.

The strong consumer activity first reported late last year by retailers carried through in the first quarter of 1987, and reports from the field indicate that players not overly affected by a still-moribund oil patch are still experiencing good growth.

Sales at stores open one

(Continued on page 56)

Same Store Sales Changes (%)

	First Quarter 1987	Annual 1986
Hechinger	9.0	8.0
The Home Depot	22.0	7.0
Lowe's	1.0	6.0
National Hardgoods Distributors	3,0	10.0
Payless Cashways	6.0	4.4
Scotty's	5.4	5.3
Wolohan Lumber	37.0	22.0

Source: Company reports. *NHCN* chart.

Of seven home center companies reporting sales increases at stores open one year or longer, five said such increases are even healthier now than in 1986.

Pergament denied insurance suit appeal

By Suzanne Floyd
and Milford Prewitt
NHCN staff editors

BROOKLYN, N.Y.— The Appellate Division of the Supreme Court of New York has denied the request of Pergament Home Centers to appeal a decision that found the company's former "umbrella" insurance carrier not liable for primary insurance coverage.

The court's June 5th decision meant that the Melville, N.Y.-based chain will probably appeal to the State Court of Appeals and continue its three-year-old lawsuit against Old Republic Insurance Co., of Greensburg, Pa.

Primary insurer goes under

At the heart of the dispute is Pergament's contention that Old Republic was contractually responsible for defending and indemnifying it when the retailer's primary liability insurer, the Ambassador Insurance Company, was forced into insolvency in 1984 by its licensing state, Vermont.

In the initial action in February 1986, Pergament contended that ambiguous wording in its contract with Old Republic meant that the umbrella insurer should "drop down" and provide primary protection when Ambassador folded.

Pergament argued that Old Republic should handle all claims filed against the company during fiscal year 1981 and 1982, the contract's life span.

Court papers show that Ambassador provided primary coverage with a policy limit of $1 million. Old Republic took care of claims between $1 million and $10 million.

But after Ambassador went under, two personal injury suits filed against Pergament were settled within Ambassador's policy limit. Pergament referred the cases to Old Republic which, in turn, told the retailer the company was not obligated to pay.

These suits are among 60 to 70 claims pending against Pergament for personal injury.

Company officials and attorneys wouldn't discuss the status of these two suits.

Pergament filed suit in the New York Supreme Court in Long Island and won, but Old Republic appealed in the Appellate Division and the earlier court ruling was overturned.

Michael A. Ellenberg, a Manhattan attorney representing Old Republic, thought Pergament will, in all likelihood, appeal the latest court ruling to the Court of Appeals, New York's highest court.

Ellenberg said Pergament is just one of many companies nationwide whose insurance coverage was adversely affected when Ambassador went out of business.

Attorneys for Pergament and Pergament corporate officers either declined comment or couldn't be reached.

Molson buys 25% interest in Lockhart

By an NHCN staff editor

TORONTO — In its latest move to expand in the home center industry, the Molson Companies Ltd. said it will acquire a 25 percent interest in Lockhart Ltd. and affiliate the firm with Beaver Lumber, its wholly owned subsidiary.

Under the agreement, Molson will increase its Lockhart ownership to 50 percent over five years. The cost to Molson was not disclosed.

Lockhart operates 14 building material and hardware retail stores in New Brunswick and Nova Scotia, with sales of about $45 million.

Its affiliation with Beaver is another in a series of aggressive expansion steps orchestrated by John Lacey, Beaver's newly appointed chairman and ceo.

Formerly president of Beaver, Canada's biggest building products retailer, Lacey has promoted joint ventures and specialty retailing as the key to expansion.

In line with that plan, Beaver earlier this month sold its Le Castor Bricoleur Quebec operations to Groupe Val Royal and entered into a 50-50 partnership with the holding company owned by the family of Groupe Val President Pierre Michaud. The move allowed Beaver to expand its franchise operations.

Last year, Beaver bought Crown Stores Ltd., giving it a stronger presence in western Canada.

In the specialty area, Beaver recently formed Nühaus, for the custom installation of European kitchens (supplied by Alno Kitchens in West Germany). Last January, Beaver bought the 53-store Lighting Unlimited chain. And Beaver owns Aikenheads, one of Canada's oldest hardware stores.

"It's not the end of the market we've been attracting with Beaver," said Lacey "These specialty businesses complement Beaver."

Lacey says it's too early to predict sales or earnings for the specialty group, and he won't estimate Beaver's earnings for the fiscal year ended in March. But he says Beaver's 1986 sales will be about $684.9 million, up from $577 million the previous year.

"Beaver's financial performance has not been what we would have liked," Lacey says. "Now we've got it where we want it."

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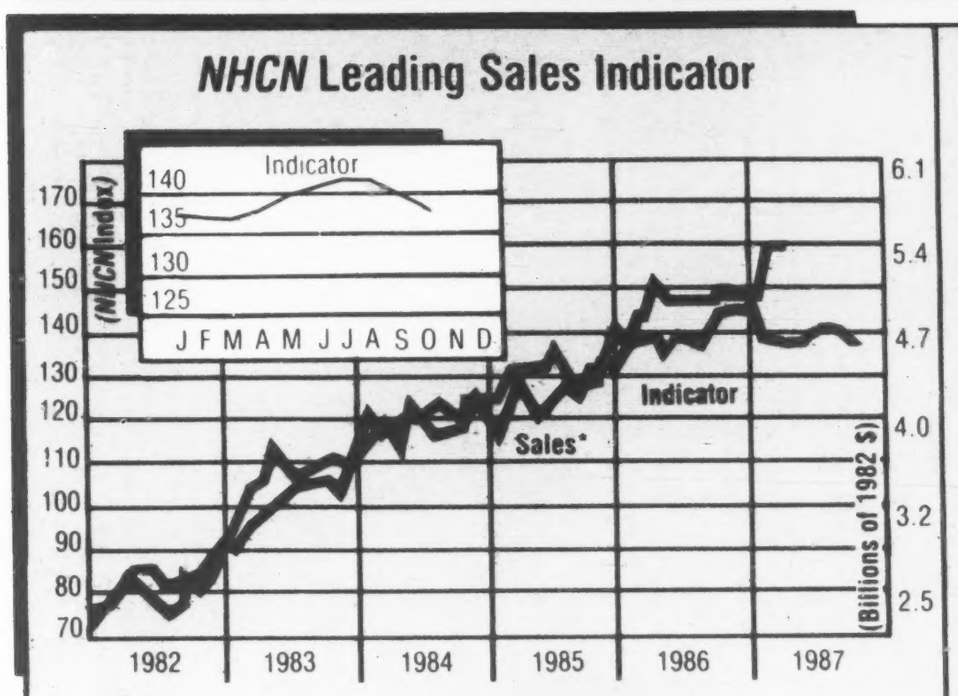
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building materials sales during the second half of 1987. Resales remained strong in the first quarter, but the rise in mortgage rates suggests lower starts and resales ahead.

Sales for Middle Atlantic states expected to rise 14 percent

By Richard E. Mount
Special to NHCN

NEW YORK — Building material sales in the Middle Atlantic states are expected to rise 14 percent this year, faster than the anticipated 9 percent national gain.

Housing starts and resales continue to rise at a rapid pace and employment gains in New York and new Jersey exceed the U.S. total. Adjusted for price increases, unit sales in the Middle Atlantic region will increase 9 percent in 1987.

N.Y. with mixed economy

Employment in the state is running about 3.5 percent higher than a year ago, driving the unemployment rate down to 4.8 percent. For comparison, the national average remains fixed at 6.3 percent. Resales rose 14 percent last year.

Richard E. Mount

The New York economy presents a mixed picture. Areas with a concentration in financial services, high tech and defense boomed through most of the current economic expansion.

This strength reduced unemployment rates, and labor shortages became an increasing problem. These areas can no longer sustain the rapid gains of the recent past because of labor. Employment in New York City is up only 1.5 percent from a year ago, Nassau-Suffolk 2.2 percent, and Westchester 2.3 percent.

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1987 QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	141.8	140.6	118.5	130.4	140.3
Building Material Retail Sales												
Current	$ Millions SAAR Total United States	63,708	64,396	62,956	64,584	68,720	71,018	72,836	74,068	55,695	65,529	71,661
	New England	3,233	3,270	3,435	3,488	3,677	3,750	3,838	3,881	NA	3,357	3,786
	Middle Atlantic	7,893	7,896	7,956	8,274	8,755	9,076	9,301	9,421	NA	8,005	9,138
	East North Central	9,376	11,647	11,365	11,627	12,232	12,620	12,958	13,192	NA	11,004	12,750
	West North Central	3,845	4,423	4,600	4,610	4,838	4,936	5,048	5,118	NA	4,370	4,985
	South Atlantic	14,146	13,410	12,099	12,405	13,634	14,239	14,655	14,917	NA	13,015	14,361
	East South Central	3,699	3,800	3,665	3,549	3,848	4,055	4,217	4,311	NA	3,678	4,108
	West South Central	7,911	7,653	7,057	7,052	7,539	7,734	7,874	8,007	NA	7,418	7,788
	Mountain	3,569	3,308	3,352	3,508	3,718	3,814	3,897	3,977	NA	3,434	3,851
	Pacific	10,036	8,988	9,427	10,071	10,480	10,795	11,049	11,244	NA	9,631	10,892
Constant	Millions $1982 SAAR Total United States	59,791	62,149	59,924	60,188	63,469	64,750	65,750	66,200	52,705	60,513	65,042
	New England	3,034	3,156	3,270	3,251	3,396	3,419	3,465	3,469	NA	3,178	3,437
	Middle Atlantic	7,408	7,620	7,573	7,711	8,086	8,275	8, 396	8,421	NA	7,578	8,294
	East North Central	8,800	11,241	10,818	10,836	11,297	11,506	11,697	11,790	NA	10,423	11,573
	West North Central	3,609	4,269	4,378	4,296	4,468	4,500	4,556	4,574	NA	4,138	4,525
	South Atlantic	13,276	12,942	11,516	11,561	12,592	12,982	13,229	13,333	NA	12,324	13,034
	East South Central	3,472	3,667	3,488	3,307	3,554	3,697	3,807	3,853	NA	3,484	3,728
	West South Central	7,425	7,386	6,717	6,572	6,963	7,051	7,108	7,156	NA	7,025	7,069
	Mountain	3,350	3,193	3,191	3,269	3,434	3,477	3,518	3,555	NA	3,250	3,496
	Pacific	9,419	8,674	8,973	9,386	9,679	9,842	9,974	10,049	NA	9,113	9,886
Per Cent of U.S. Total												
Current	Per Cent of U.S. Total ($Current) Total United States	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.07	5.08	5.46	5.40	5.35	5.28	5.27	5.24	NA	5.25	5.28
	Middle Atlantic	12.39	12.26	12.64	12.81	12.74	12.78	12.77	12.72	NA	12.52	12.75
	East North Central	14.72	18.09	18.05	18.00	17.80	17.77	17.79	17.81	NA	17.22	17.79
	West North Central	6.04	6.87	7.31	7.14	7.04	6.95	6.93	6.91	NA	6.84	6.96
	South Atlantic	22.20	20.82	19.22	19.21	19.84	20.05	20.12	20.14	NA	20.37	20.04
	East South Central	5.81	5.90	5.82	5.50	5.60	5.71	5.79	5.82	NA	5.76	5.73
	West South Central	12.42	11.88	11.21	10.92	10.97	10.89	10.81	10.81	NA	11.61	10.87
	Mountain	5.60	5.14	5.32	5.43	5.41	5.37	5.35	5.37	NA	5.37	5.37
	Pacific	15.75	13.96	14.97	15.59	15.25	15.20	15.17	15.18	NA	15.06	15.20
Industrial Production												
Index (1977 = 100)	Brick	92.7	91.1	93.9	95.8	92.4	91.1	90.9	90.6	88.5	93.4	91.3
	Cement	121.2	108.7	105.6	108.2	107.9	106.5	105.2	104.7	105.7	110.9	106.1
	Gypsum Wallboard	132.8	133.7	132.3	134.5	134.6	134.2	133.1	132.1	126.4	133.3	133.5
	Hardware	99.8	102.1	103.5	101.7	104.5	103.9	103.2	102.9	100.9	101.8	103.6
	Lumber Products	126.0	132.8	134.1	134.2	127.5	126.7	126.1	125.2	122.9	132.3	126.4
	Paint	100.6	103.0	100.1	93.8	107.2	107.9	108.4	107.9	101.9	99.4	107.9
	Plywood	149.6	161.4	164.3	158.2	157.2	156.2	154.4	152.7	138.7	158.4	155.1

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 29, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Sales for Middle Atlantic states expected to rise 14 percent

(Continued from page 18)

Manufacturing in the state lagged the recovery, but the drop in the value of the dollar has brought a rebound.

While unemployment rates remain between 6 percent and 7 percent in these areas, employment is accelerating, boosting the demand for housing and building materials this year and next.

Employment in Buffalo is up 2.1 percent from a year ago; Elmira, 5.2 percent; Syracuse, 2.4 percent; and Utica, 1.4 percent.

Highway paves way for N.J.

New Jersey enjoyed the most rapid rise in the region. Employment is still up 4 percent from a year ago, reducing the unemployment rate to 4.2 percent.

Due to the way that unemployment rates are calculated, it is almost impossible to go below 3 percent. In 1986, resales increased 7 percent.

While many suburban residential areas have benefited from the New York City growth in employment, the major development for New Jersey has been the surge in activity along the Route 1 corridor from New Brunswick to Trenton.

Firms in financial services and computers are moving to less-congested areas with lower rentals, labor costs, taxes and utilities.

Many analysts would expand the definition of the Route 1 path to include the entire length of the New Jersey Turnpike—with appendixes for Routes 80 and 287—and the entire Garden State Parkway.

With the surge in demand, existing home prices have soared. Higher-priced homes are more likely to undergo major additions and alteration work.

Pa. recoups after weakness

Pennsylvania presents an intriguing picture for the region. Employment expansion has been anemic compared to New York and New Jersey, but population and labor force growth was so weak in Pennsylvania that unemployment declined by 5.4 percent.

Since the second half of 1986, the unemployment rate in the state has been below the national average, the first time that it has sustained lower rates since 1971.

Resales heat up

Resales heated up, rising 23 percent versus a national average of 11 percent.

The strength that does exist in employment for the state is not in its traditional manufacturing sector that remains down, but in financial services and construction.

Philadelphia and, to a lesser degree, Pittsburgh, are expanding while large parts of the state, with economies based on manufacturing, remain weak.

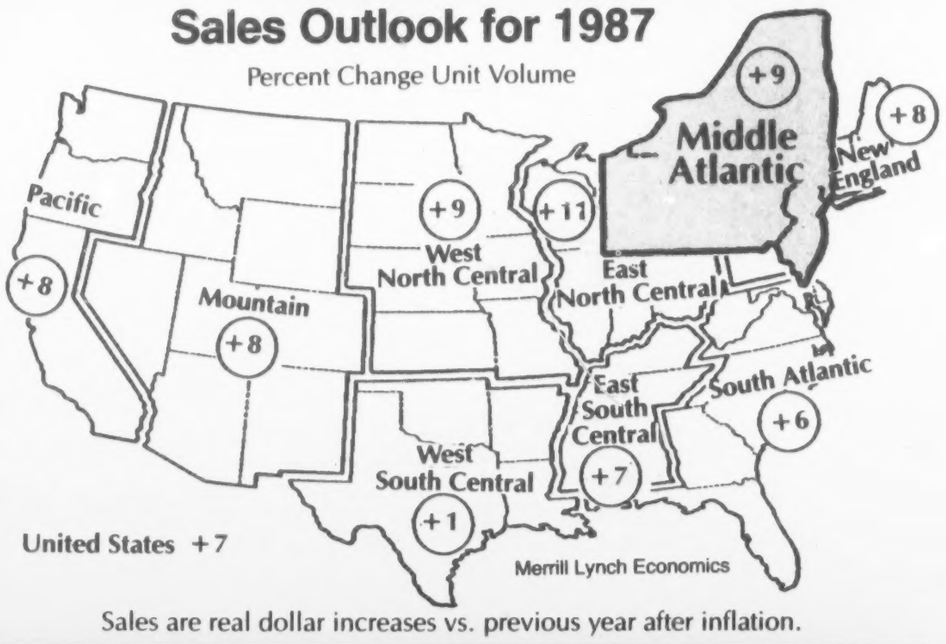
Construction employment in Philadelphia has grown on average 10.5 percent since 1982 as Penn's Landing is developed and the downtown area undergoes an office building boom.

But other types of employment and population are shifting to outlying counties such as Burlington, Chester and Bucks.

As the decline in the dollar makes domestically produced goods more competitive here and abroad, other areas of the state will expand.

Building material sales in the Middle Atlantic states are expected to increase 9 percent this year on the strength of strong employment, starts and resales.

While rural Pennsylvania and upstate New York should be slower than the rest of the region in 1987, the gap should narrow in 1988.



Sales are real dollar increases vs. previous year after inflation.

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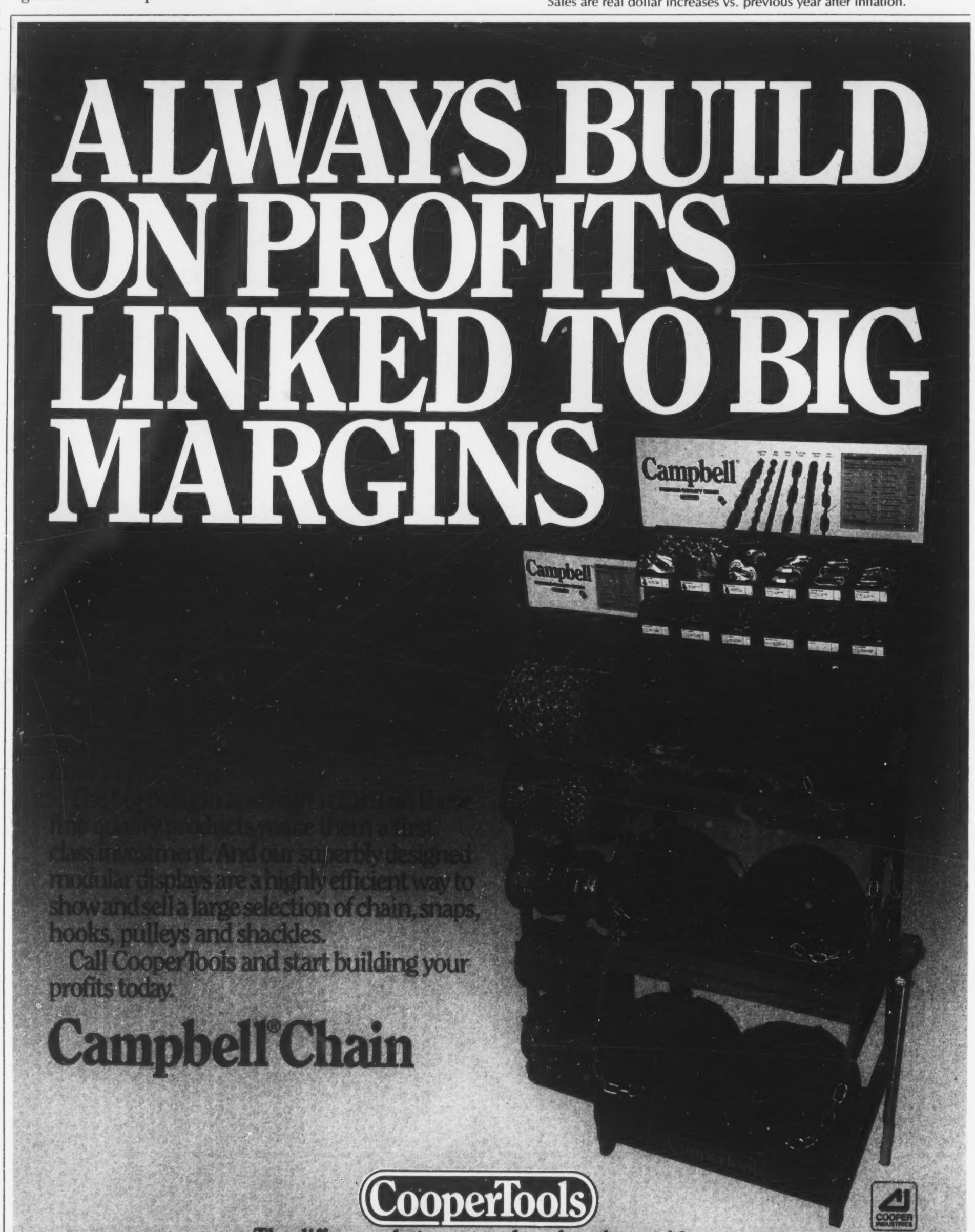

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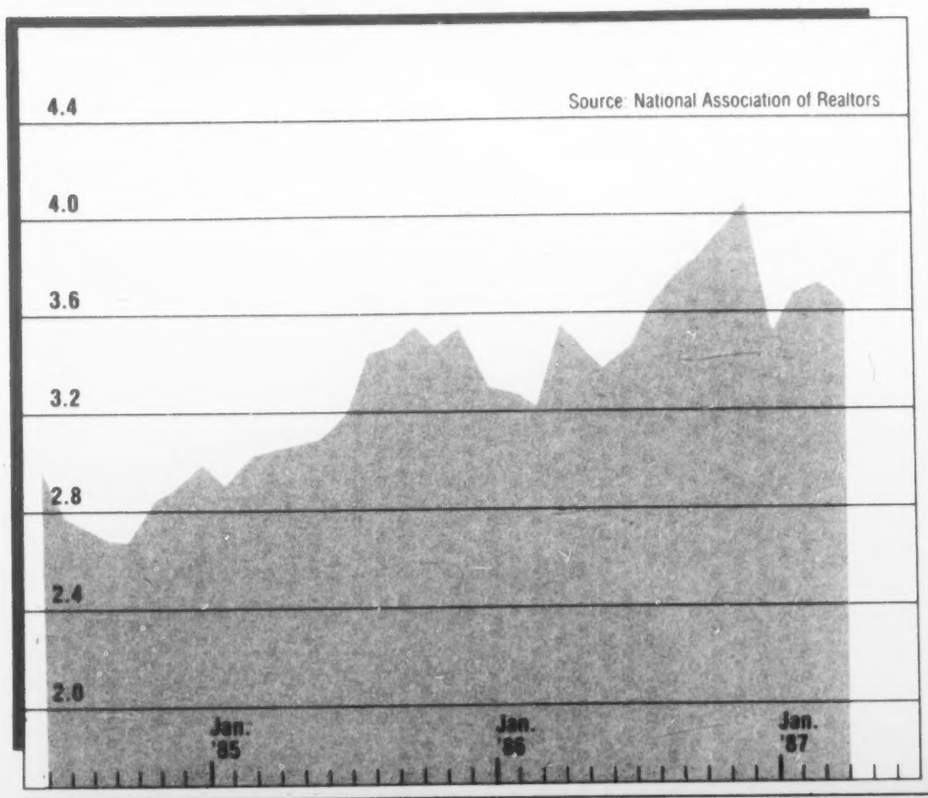
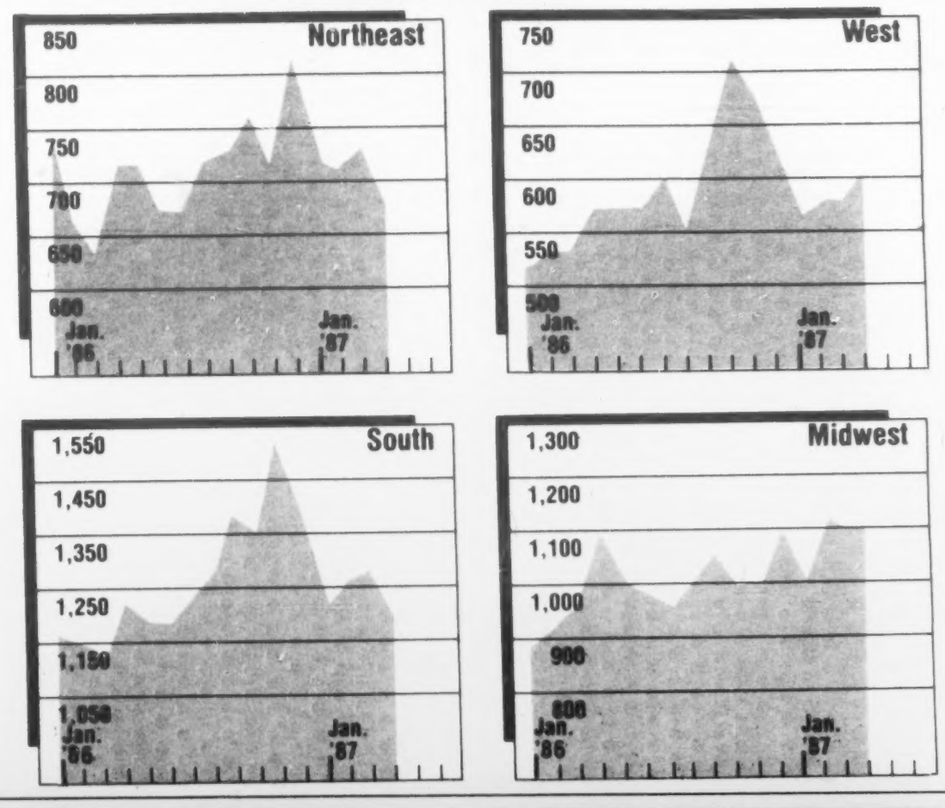
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



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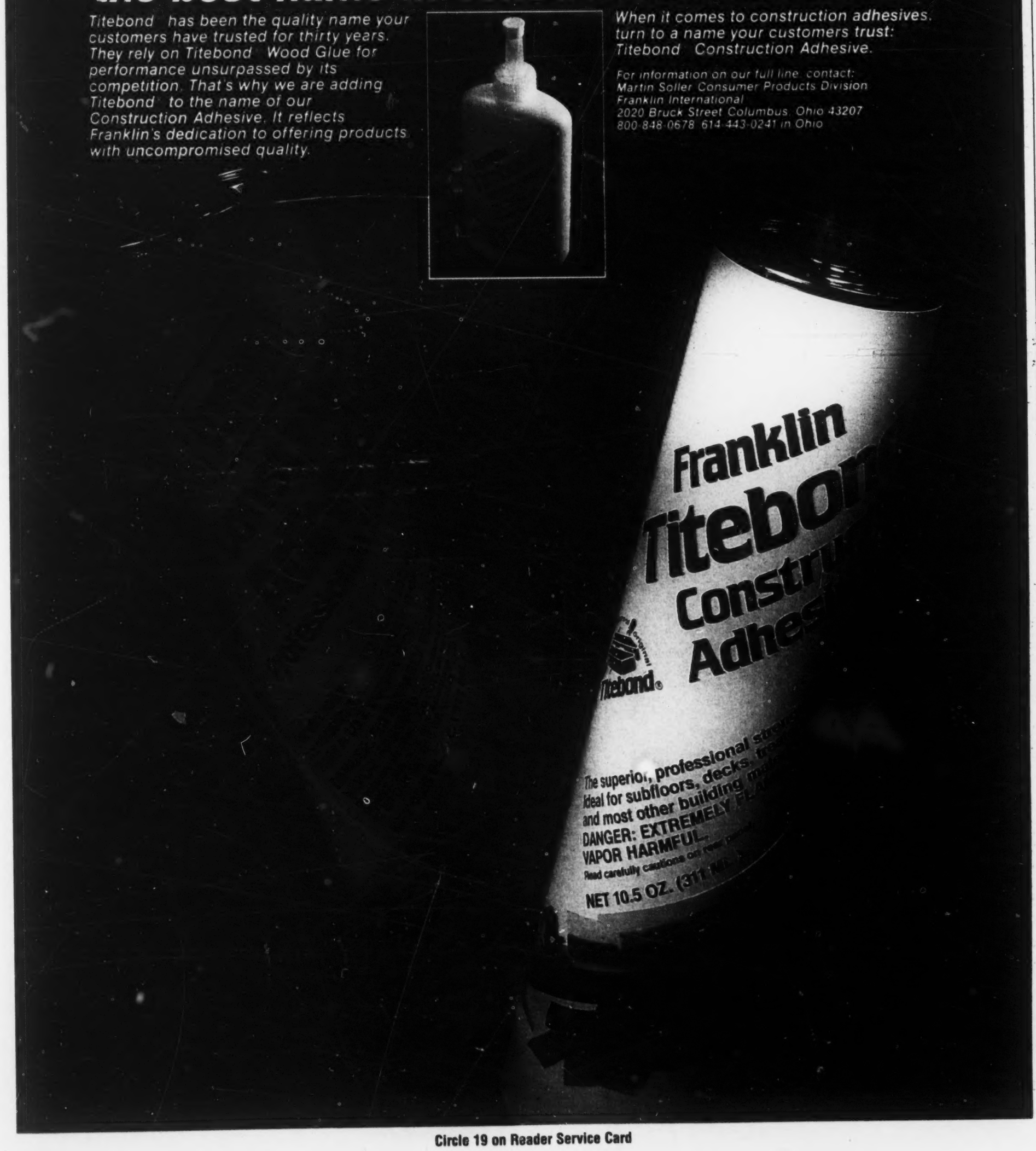

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High rates slow April home sales

NATIONAL REPORT — Rising mortgage rates slowed sales of existing single-family homes in April. Sales dipped one percent to a seasonally adjusted annual rate of 3.63 million units, according to the National Association of Realtors (NAR).

The number of homes sold during April increased four percent to 339,000 units. Last year, sales rose 21 percent to 336,000 units during March and April.

Long-term, fixed-rate mortgages rose to 9.14 percent in early April from 9.09 percent in early March, the Federal Home Loan Bank Board reported. Rates have risen steadily since then and now average 10.25 percent to 10.50 percent in most areas.

Median Sale Price
(in thousands of dollars)

	April[p]	March[r]	Feb.	Jan.
U.S.	$ 85.4	$ 85.6	$ 85.0	$ 82.1
Northeast	132.6	128.2	125.4	108.7
South	82.3	83.7	82.1	78.7
Midwest	66.8	67.6	67.1	65.2
West	102.3	101.9	104.0	100.3

[p]-preliminary [r]-revised
Source: National Association of Realtors

April's resale pace was mixed. The only increase came from the West, where sales rose five percent from March to 600,000 units, seasonally adjusted, five percent ahead of April 1986. Home prices rose by $400 in April to a median $102,300, six percent above last year.

Median home prices in the West were $132,600—26 percent ahead of April '86 prices. Resales fell nine percent to 670,000 units, down 4.5 percent from last April.

Sales dipped two percent in the South to 1.24 million units, three percent above its year-earlier pace. Home prices fell $1,400 to $82,300, five percent greater than April 1986.

The resale home pace held steady in the Midwest at 1.11 million units, up three percent from April 1986. Median home prices there fell $800 to $66,800.

Housing is still affordable: NAR

NATIONAL REPORT — Despite rising mortgage rates, housing remained affordable for much of the population in April.

The housing affordability index kept by the National Association of Realtors (NAR) stood at 110.9 in April, up from 110.7 in March.

The family earning the median income, $29,633, had 110.9 percent of the salary needed to buy a median-priced home—$85,400.

Buyers earning $40,000 could afford a $130,000 home. A family earning $50,000 could qualify for a home costing $162,500.

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—Available in a range of thicknesses
—No knots, core voids, splits or checks
—Rated sheathing,Rated Sturd-I-Floor
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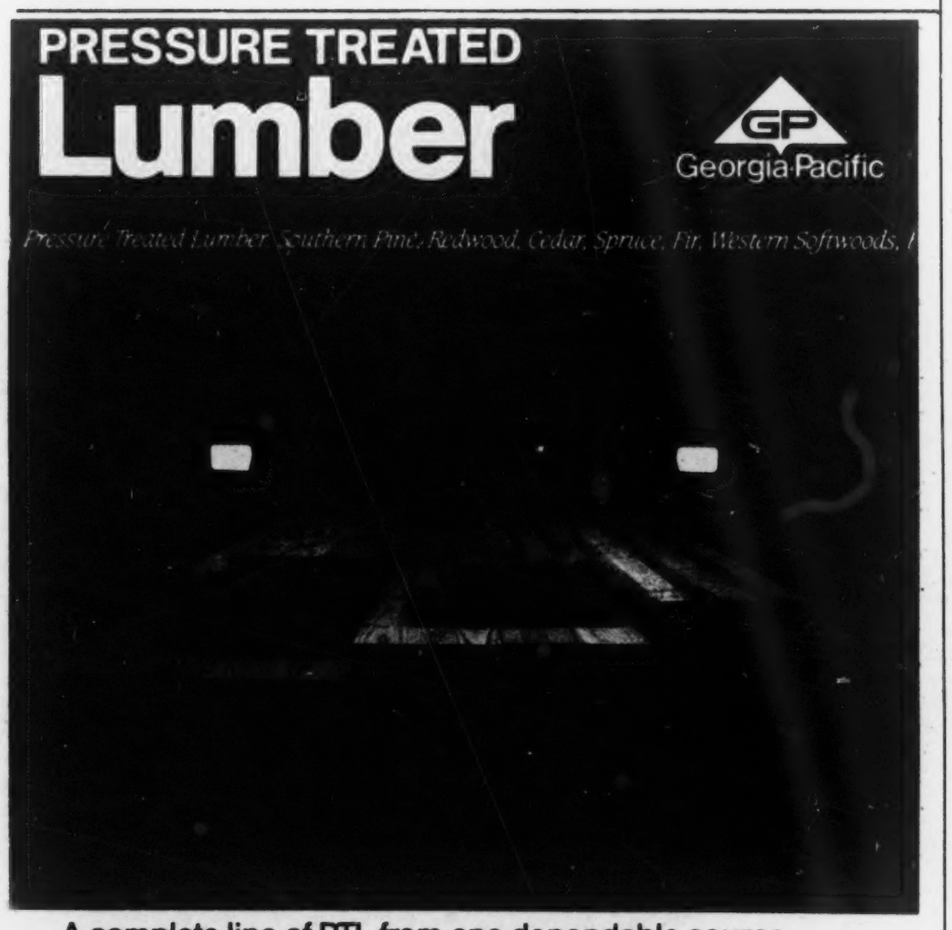

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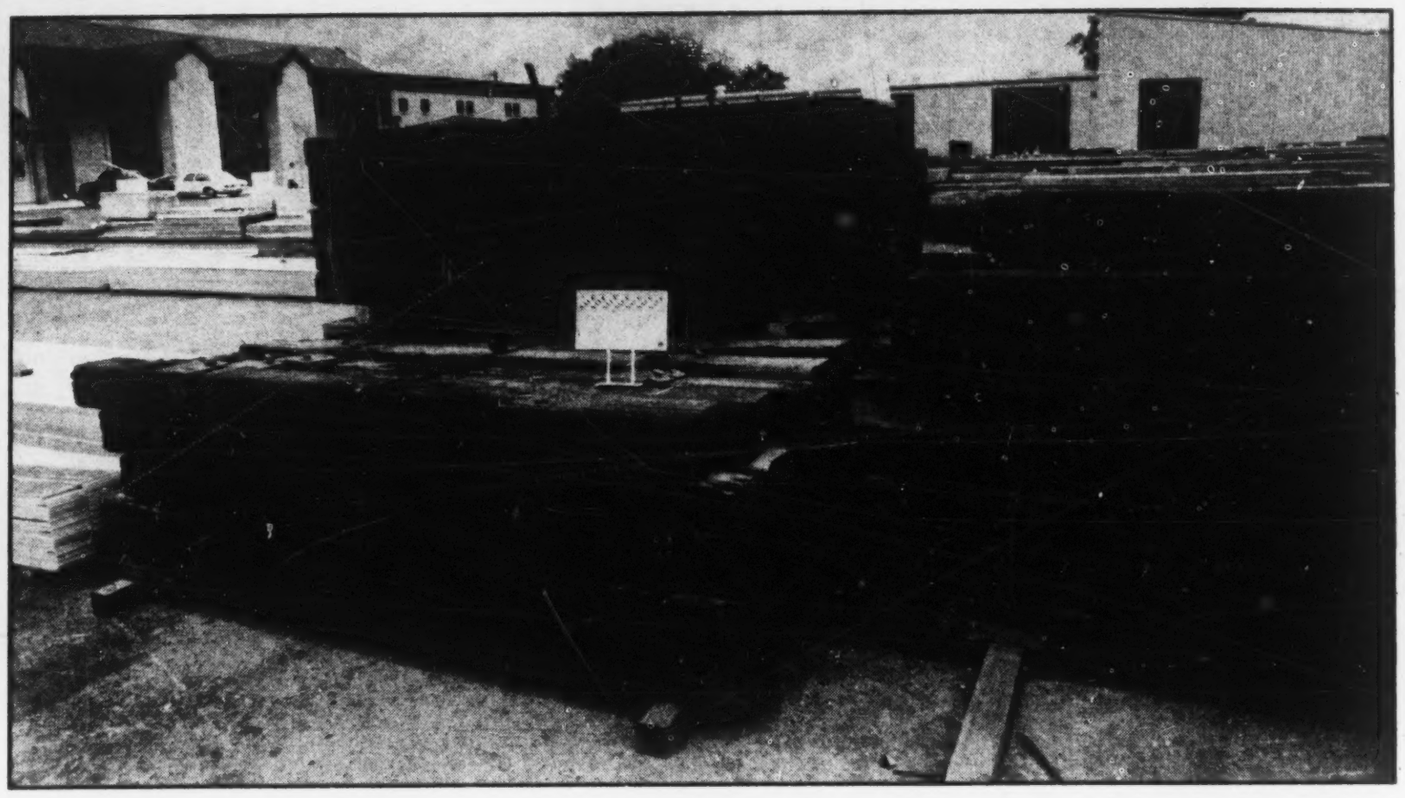
LUMBER REPORT



Railroad ties can translate into add-on sales when customers buy certain DIY projects. NHCN *photo*

Railroad ties are becoming a new track to DIY sales

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — They're heavy, dirty, ungainly, smelly, and worst of all, used. Yet some home centers have found them to be good for business.

They're railroad ties.

Cashing in on the budding consumer demand for outdoor landscaping projects, some lumberyard operators and home center chains have carved out an extra niche for themselves in the treated lumber category by selling used railroad ties.

At some companies, notably Furrow's and Stripling Blake in Austin, Texas, and Economy Building Materials in Denver, railroad ties are heavily promoted and given conspicuous space in their lumberyards.

While most retailers have been carrying railroad ties for years, lumber buyers said the product offers the opportunity for an immediate add-on sale whenever a customer commits to a decking or other treated lumber project.

"This is a DIY product pretty much," said Alec Beck, president of Stripling Blake. "There are a number of uses for them and I think consumers have seen them around long enough as retaining walls to come up with their own ideas."

Besides their application for retaining walls, railroad ties are typically used to trim flower beds and tree planters and as walkway borders. Because railroad ties are soaked in the preservative creosote, they can be used in direct contact with the ground.

More expensive than treated

But railroad ties—which are 8-foot-long 7x8s and 6x8s—appear to be for the well-heeled, discriminating DIYer. The used, darkened ties are retailed in various regions for between $9 and $14 a tie, nearly three times as much as a comparably sized, pressure-treated 6x8s or 6x6s.

Railroad ties may be the strangest products lumber buyers acquire for their companies. Unlike other lumber products which are bought from wholesalers and mills, used railroad ties can only be acquired from a peculiar breed of business: those that specialize in salvaging scrap from abandoned railroad lines.

Like the lumber industry, the used railroad tie business is intensely competitive, with companies dotting the nation and making aggressive bids whenever railroads announce they are closing down lines.

Reaps from railroad decline

Bob Wutzke, president of Wutzke Railroad Tie Co. in Denver, which, at 17-years old is one of the oldest railroad line salvage companies in Colorado, said his business prospers off of the misfortunes of other companies.

"Whenever we go to work it usually means that somebody on the other end of the line went out of business," Wutzke said. "It's really not the railroad that's going out of business, despite what some people think, but it's the companies that have railroad lines on their properties or in a town."

With thousands of miles of railroad lines and spurs in his company's territory and 2,800 to 3,200 ties per mile, Wutzke said business has been good and looks better.

Wutzke, whose company sells railroad ties to Economy Building Materials and others, said he got the idea to sell used ties to retailers in 1970 when a railroad executive told him in a casual conversation that the company was being besieged by people calling to buy railroad ties.

"They just handled them as nuisance calls," Wutzke said, "But I thought, if there were that many calls, then there must be a market."

As a result, Wutzke began bidding to remove not only the ties, but the steel railings and bridges. He said the steel has an aftermarket for rail reuse or can be melted down for other purposes.

"The key aspect about our industry is that the railroads have to remove abandoned lines pretty quickly," Wutzke explained. "As long as the lines are there, the railroads have to pay taxes on it whether it is used or not.

"Plus, from a liability standpoint, they risk suits every time someone is injured on them. So there's plenty of work around."

Chain sees strong demand

The age of the tie, its size and the shipping distance determine their price, Wutzke said. At the moment he said there are about nine price points for his products that range from $1.99 a tie to $13 a tie.

Theo Grasmick, lumber buyer for Economy Building Materials, said his company sells railroad ties that are considered "re-lay quality," which means that they could be reused on a rail line.

At $8 a tie, the products are featured in the company's tabs and enjoy strong demand, even though he believes demand for them was higher a few years ago, he said.

Grasmick noted that the company has been stocking railroad ties for seven to eight years with a typical consumer end-use apparently being terrace walls.

Economy Building Materials initially sold railroad ties only to the Denver Parks Department, Grasmick said, but the response from consumers convinced the company that the product should be marketed to homeowners.

"We've been doing pretty well with them," Grasmick said. "People see them as a kind of landscape timber, but they are pretty difficult to merchandise because there is no one grading system so different companies sell them for different prices."

He said the company sold Canadian railroad ties—with rounded edges—a few years ago and enjoyed heavy demand from shoppers.

"Those were very, very popular and now they are very hard to find," Grasmick said.

Perspectives

U.S. SUPPLIERS INCREASE PRODUCT ASSEMBLY IN MEXICO

Photo: Juarez, Mexico, McCulloch factory; photo courtesy of McCulloch.

By Brad Altman
NHCN staff editor

MEXICALI, Mexico — When Weiser Lock opened its first assembly factory in this Mexican border town on May 21, the event didn't go unnoticed by one of Weiser Lock's major competitors.

That's because rival Weslock has operated its own factory here for 15 years—literally next door in the same business park where Weiser Lock has situated its facility.

"We didn't know we had located right next door to the Weslock plant until we saw their trucks driving by," claimed Bob Pacelli, Weiser Lock's marketing director.

Another competitor, Schlage Lock, has had an assembly operation in Mexico for several years. Its main factory is in Tecate, where it assembles U.S.-made components.

Weiser Lock's recent factory debut here underscores how the changing dynamics of DIY product manufacturing is forcing aggressive competitors in the U.S. to establish "good neighbor policies," at least on foreign soil.

Companies that set up factories in Mexico are participating in the Mexican government's 22-year-old *maquiladora* (which roughly translates from the Spanish for "handwork assembly") program.

The number of *maquiladora* factories has expanded substantially since the start of the severe Mexican recession in 1982, when the peso was devalued, making U.S. investment in Mexico more attractive. There are now about 1,000 such factories, compared with 800 at the beginning of 1986.

Maquiladoras are currently the second largest source of foreign exchange earnings for Mexico, which improves its ability to repay debt obligation to U.S. banks. (The leading income producer in Mexico is oil—$9 billion; followed by *maquiladoras*, $1.7 billion; and tourism, $1.3 billion.)

Tim Bennett, deputy assistant U.S. trade representative, said *maquiladoras* have a positive impact on the U.S. economy. American companies ship to the *maquiladoras* more than $3 billion worth of components for assembly annually which, according to the U.S. Commerce Department, represents about 75,000 U.S. jobs.

Speaking at a Los Angeles conference sponsored by the Institute for International Research, Bennett elaborated, "*Maquiladora* operations provide additional economic benefits to U.S. border cities, as an estimated 40 percent to 60 percent of the Mexican worker's wages are spent in the U.S."

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'Perks' help attract Mexican labor to maquiladoras 28

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Perspectives

'Perks' help attract labor to maquiladoras

By an NHCN staff editor

TIJUANA, Mexico — At Maderas Exoticas, an assembly factory here that makes high-quality bedroom furniture and waterbed frames for Gardena, Calif.-based Water & Wood Corp., the employee restrooms have showers.

"Some employees live in homes that have no running water or electricity," explained John Sartori, a Newport Beach consultant who helps U.S. companies establish manufacturing plants in Mexico.

At lunchtime, the meals in most cafeterias operated by U.S. firms participating in the *maquiladora* program are subsidized, with employees paying about 350 pesos for food that costs the company 900 pesos. (About 1,240 pesos are worth one U.S. dollar.)

Lunchbreaks are only 30 minutes long and the Mexican worker is expected to work a 48 ½-hour week. Workers typically earn less than $1 an hour.

Free buses and basketball courts

In Mexico, the fringe benefits aren't great, but they are sufficient to attract a labor force used to a lower standard of living than is found in the U.S. A basketball court and air conditioning are two examples of such minimal "perks."

Kenmex, a factory on the outskirts of Tijuana that makes hospital equipment, owns four buses and provides free transportation for its 1,000 employees from downtown Tijuana. Most employees walk, however, and it is unusual to find anyone except top management driving a car to work.

The state-of-the-art factories where Tijuana's *maquiladora* program is flourishing contrast sharply with the surrounding city.

On one recent day, a man was tending to a flock of goats in a field across the street from an industrial park. Raw sewage ran down a newly paved street, and people of all ages hawked chewing gun and cheap jewelry in the tourist-oriented areas.

For newcomers to Mexico, the scenes provoke a culture shock.

Escape from poverty sought

The contrasts underscore the uniqueness of doing business in Mexico. Tijuana is part of a foreign country only a half-hour drive south of San Diego, the United States' seventh-largest city.

Growth of the Maquiladora Industry in Mexico

End of	Plants	Employees
1966	12	3,000
1970	120	20,000
1975	454	67,000
1980	620	124,000
1981	605	130,000
1982	588	122,000
1983	629	173,000
1984	722	202,000
1985	785	218,000
1986	800+	300,000+

Source: Committee for Production Sharing, Washington; *NHCN* chart

Tijuana, Mexicali, Juarez and other border cities traditionally have been a magnet for those Mexicans seeking a better life in the U.S. Now, rather than cross the border illegally, some Mexicans are choosing to work in the *maquiladoras*.

"It used to be that visiting Americans expected to see men wearing sombreros," said Tony Villanueva, a licensed customs broker based in Chula Vista, Calif. "Now, the label, 'Made in Mexico' has a certain cachet."

Sartori, a former Kwikset executive and now president of Sarco International, a consulting firm, said a major challenge to conducting business in Mexico is crossing the border itself.

Tijuana, for example, has only 28 border-crossing gates and travelers are subject to crossing delays which lengthen or shorten with "every blip in U.S.-Mexican relations—you feel it immediately here," Sartori said.

Another gate was constructed just east of Tijuana, at Otay Mesa, near the major *maquiladora* industrial park here, and that has reduced waiting times.

Despite the border-crossing problem, *maquiladoras* are enjoying robust health and are here to stay, Sartori and other experts believe.

Bribes no longer *sine que non*

With a population of 78 million in Mexico, of which 16 million residents are employed, approximately 250,000 to 300,000 persons work in the maquiladora industry, Sartori estimated.

Jose Manuel Martinez, in charge of the maquiladora industry for the federal government of Mexico, said, "The legal framework of the *maquiladora* industry in Mexico is not changing and will not change in the next few years."

Mexican officials are trying to deflate long standing negative publicity about corruption in Mexico and the need to pay bribes—known as *mordida* or "the bite"—in order to get favors done.

The *maquiladora* operators claim that paying *mordida* is not necessary or required. "It is a mistake because once paid, it is difficult to stop," said Gordon X. Reed, vp of North & Donahoe, La Jolla, Calif., a consulting group.

Another unique aspect of the business environment in Mexico is that females comprise about two-thirds of the *maquiladora* workforce, although men are increasingly being attracted to the jobs.

"Our company has a policy of hiring male and female applicants equally, but there is a much higher percentage of females who apply, so that is a higher percentage of our workforce," said Anne Drake, public relations manager for the residential division of Honeywell, which recently completed construction on a new plant in Tijuana, complete with cafeteria and training rooms.

Cultural understanding a must

"There is high unemployment, but along the border there is a real labor shortage," Drake said. "Many men work for a month or two and then go somewhere else."

Consultant Reed said he established a *maquiladora* several years ago and quickly discovered the importance of understanding cultural differences.

"As a 'Gringo,' I had to be willing to unbend and mix with all levels, not just the Mexican managers, at functions such as the Halloween costume party.

"At Halloween, I wore a Kermit the Frog outfit and it really impressed the Mexicans because it helped to develop a certain comfort level which was needed before they gave me their full trust and support."

Cheap utilities

Mexico has other advantages besides labor savings for *maquiladora* operators. In Tijuana, for instance, it costs about 3½ cents a kilowatt hour for electricity versus 13 cents in San Diego. Energy costs are similarly low in other Mexican cities. Water, natural gas, building leases, and construction costs are cheaper in Mexico than the U.S. also.

The median age in Mexico is 17 years compared with 30 years in the U.S. and 40 years in Japan.

East moves West in effort to stall strong yen

By an NHCN staff editor

TIJUANA, Mexico — The assembly line at a new, Japanese-owned Sanyo plant here is rolling out thousands of compact refrigerators, many of them with the "Kenmore" nameplate stamped on their doors and destined to be sold at Sears stores.

The 275,000-square-foot Sanyo facility is located in a blossoming industrial park on Mexico's Otay Mesa, just a mile from the international border and 30 minutes from downtown San Diego.

Sanyo, which flies a company flag next to Mexico's flag on adjoining poles at the plant entrance, is one of numerous Japanese firms building factories here.

Sanyo's plant in Tijuana, Mexico, manufactures refrigerators. NHCN photo

Others open plants

Others that have opened plants, or are expected to, include Hitachi, Tomita Electric Corp., Sony, Matsushita, Sanoh Manufacturing Corp. and Tocabi America Corp. These companies are manufacturing products which include such home center-related items oscilating fans and cabinets.

Sanyo's operation illustrates the "twin-plant" concept. It also has built a 350,000-sq.-ft. distribution center just across the U.S. border to support its Mexican factory. Until last year, it made its compact refrigerators in San Diego.

Joseph Francis, executive director of the San Diego-Imperial Counties Labor Council, said Sanyo is not the only Asian country to express interest in Mexico. "Other offshore interests are relocating to Mexico. South Korea is beginning to join, we expect Taiwan, and, ultimately, West Germany."

The lure of Mexico is clear. "They have immediate access to the largest consumer market in the world," said Francis.

Lure of Mexico is clear

"The Japanese are losing competitiveness in the U.S. market because of the strong yen," said Steven A. Hess, vp and senior international economist at First Interstate Bancorp in Los Angeles. "One way for them to maintain their market share is to do some assembly in northern Mexico under the very attractive exchange rate that exists there."

Interestingly, the United States is not opposed to the increasing Japanese investment in Mexico, said Tim Bennett, deputy assistant U.S. trade representative for Mexico.

"The United States wants Japan to aid debtor nations," Bennett explained. "Some of the items produced at Japan *maquiladora* operations—auto parts, consumer electronics—would be imported by the U.S. from Japanese producers regardless of where the items were produced.

"Thus," Bennett continued, "it actually benefits the United States with the increased possibility that Japan would use U.S. components in the assembly process, a possibility which wouldn't exist if production was in Japan or more distant locations."

The impression that the Japanese have a united front in their move into Mexico is not an accurate one, according to local observers. In fact, the Japanese companies are extremely competitive and prefer not to have their plants located too close to each other.

Beatrix "Bebe" F. Sanders, a Tijuana businesswoman, showing a visitor through Tijuana, pointed to an undeveloped mesa a mile from the Sanyo plant and said, "The Japanese are already reserving land there. They look ahead four or five years."

U.S. SUPPLIERS INCREASE PRODUCT ASSEMBLY IN MEXICO

(Continued from page 27)

(Mexico for many years was the United State's third largest trading partner behind Canada and Japan. It was surpassed last year by West Germany.)

In Mexicali, Weiser Lock is using local laborers to handle its labor-intensive, hand-crafted specialty finishing work.

"We're not doing any manufacturing there and we're still doing our automated finishing" at Weiser Lock's 750,000-square-foot plant in Huntington Beach, Calif., said Pacelli.

"We just saw Mexico as an alternative to the high labor rates in the states," he added.

Increasingly, manufacturers of locksets and a range of other products sold in home centers are discovering that it makes shrewd business sense to set up operations in Mexico, where there is an availability of cheap labor along the 1,900-mile international border.

The scope of DIY industry manufacturing plants in Mexico is difficult to determine, in part because there is a stigma attached to doing business in Mexico and some manufacturers are worried that their "offshore" involvement could be perceived as anti-American.

Maquiladoras are "totally negative for the nation as a whole," said Joseph Francis, executive director of the San Diego-Imperial Counties Labor Council. "We believe it is exploitation of cheap labor."

Indeed, American labor unions argue that companies which establish offshore manufacturing facilities are denying jobs to U.S. workers.

But the Mexican factories can save U.S. jobs, too.

Officials with Honeywell's residential division were planning to shut down a factory in Gardena, Calif., four years ago, but instead they opened a "twin plant" in Tijuana that provided cost-savings in the assembly process.

This allowed Honeywell to keep its Gardena employees on the payroll.

Honeywell's 70,000-square-foot Tijuana facility, which employs about 400 workers, "started as an experiment and it worked beautifully," said Honeywell residential division spokeswoman Anne Drake. "We were running at a loss [in Gardena] until we started this program. This allowed us to stay in the market and keep those jobs in Gardena."

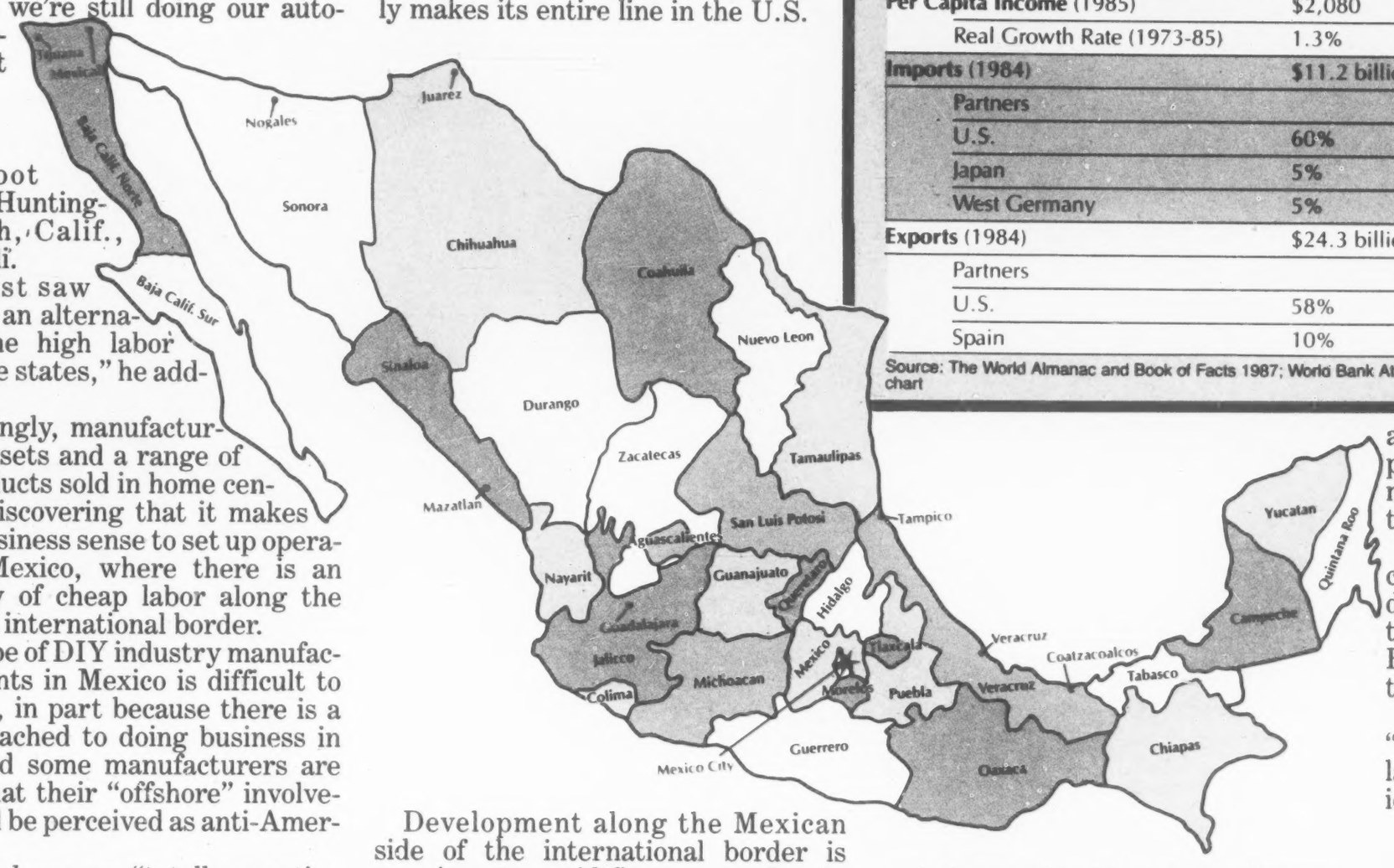
Francis and other labor leaders dispute the argument that American companies would be forced to close U.S. production lines if lower-cost assembly were not available in Mexico.

"That's garbage," said Francis. "If, in fact, we accept this idea that the only way to compete with cheap labor in the Orient is to use cheap labor, then we are dead."

With success stories like the Minneapolis-based Honeywell's making the rounds, however, companies that espouse "Buy American" attitudes are eyeing Mexico with newfound envy and, for some, trepidation.

A spicier 'Buy American' pitch

"Don't mention that we were here," said a Midwest power tool manufacturer attending a two-day conference on manufacturing in Mexico held in mid-May in Los Angeles. "Our employees would be kind of surprised that we're here" because the manufacturer currently makes its entire line in the U.S.



Development along the Mexican side of the international border is growing at a rapid-fire pace, and makers of DIY industry products are among the most aggressive participants in this expansion.

For the last year, McCulloch Corp. has been assembling consumer chain saws and string trimmers in Juarez, Mexico, across the border from El Paso, Texas.

Robert Senn, president of McCulloch, said that the company's year-old assembly operation in Juarez maintains "production rates actually higher than we're experiencing in the U.S., and the quality is equal." McCulloch operates a 500,000-square-foot factory in Lake Havasu, Ariz.

McCulloch's 20,000-square-foot Juarez factory, with 200 employees, is located about four miles from the border where, in El Paso, McCulloch operates a distribution center. The company is already planning to expand the Juarez facility.

Lenient work standards attractive

Commodore Products makes vanities in Tijuana, south of San Diego, out of four buildings employing 158 persons. The bathroom vanity maker is adding another 100 employees this summer, underscoring the success of the program which was launched in May 1984 by Commodore founder Larry Pallitz.

(Pallitz is now buying a faucet import business which will be based in Los Angeles' San Fernando Valley. He said he is scouting his Mexican sources for additional product lines.)

Commodore, acquired by Torrance, Calif.-based PermaBilt earlier this year, originally went to Mexico for "two main reasons," said Pallitz. "The environmental laws in California for emissions and in Mexico are different. Number two: labor cost savings."

Pacelli, Weiser Lock's marketing director, also acknowledges an incentive in moving into Mexico is the less-stringent air standard requirements in Mexico compared with regulations governing Weiser's facility in Huntington Beach, Calif.

Establishing a 30-employee *maquiladora*, Pacelli believes, will actually help Weiser Lock increase its California labor force. "We see the *maquiladora* as giving us a competitive edge. It is a test and if it is successful we will be expanding it."

Jose Avila, international sales manager at Weslock, said that his company employs about 300 persons in Mexicali to assemble Weslock products, and "we are contemplating expanding it. We just expanded recently."

He describes the Mexicali facility as a "work-in-process operation" in which some lockset components are "semi-assembled. Everything comes back to the Los Angeles plant" for final assembly, he added.

Avila explained the rationalization for the Mexican operations: "We have competition from the Orient because locksets are a very low-cost commodity. There is no way we can compete pricewise unless we send the locksets to Mexico for assembly to reduce the cost of operation."

Tremendous wage savings

U.S. manufacturers believe doing business in Mexico is a sensible way for them to cut costs, so they can more effectively compete against foreign producers that have low-cost labor pools to draw from.

Generally, hourly salaries, including fringe benefits, run about 99 cents an hour in Mexico. "Annual savings of $14,000 to $20,000 in wages and fringe benefits per Mexican employee are routinely being achieved," said consultant Gordon X. Reed, vp of North and Donahoe, La Jolla, Calif.

Under the *maquiladora* program, the Mexican government allows U.S. companies to ship parts to Mexican assembly plants without paying duties.

The parts are assembled in Mexico and then reshipped to the United States. At the border, customs agents will assess duties on the products, but, for most product makers, the duties are not substantial.

More than four-fifths of the Mexican exports to the U.S. are assessed duties from zero to five percent of the product's value, according to Bennett, the U.S. trade representative (*see other story*).

Bennett said that 1986 was the "busiest period in bilateral trade relations" between the U.S. and Mexico since World War II.

Evolving technologically

While the U.S. International Trade Commission is examining imports and is expected to release a study this September, despite the rising mood of protectionism, Bennett doesn't expect to see any Congressional efforts to amend tariffs that would jeopardize the *maquiladora* program.

For most product manufacturers, the viability of setting up shop in Mexico is based on having a product that can be assembled at the bottom of the technological ladder.

"*Maquiladoras* are only good if the product is highly labor intensive, meaning that the cost of the product is 35 percent to 40 percent labor," said Pallitz. He said that when he headed Commodore, Commodore's "total cost of running a *maquiladora* was less than half my hourly labor rate in California."

Jose Martinez, in charge of the *maquiladora* program for the federal government of Mexico, said, "We think we have to change the simple assembly concept of the *maquiladora* industry and try to promote a more specialist program of production-sharing. We don't want to only be a country with competent assembly plants."

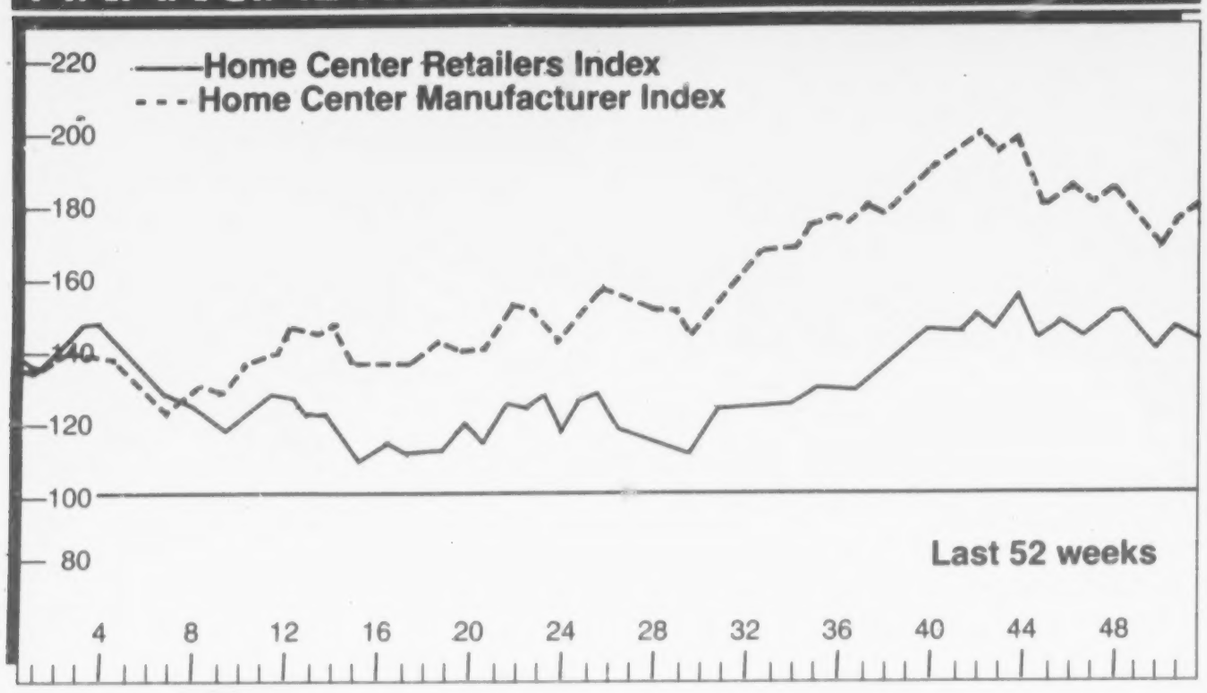
And some U.S. firms have, in fact, gone past the *maquiladora* program, like Stanley Works of New Britain, Conn., which operates a hand tool plant in Puebla, outside Mexico City. Peter Kilduff, corporate communications manager, said the products are made for regional use "in that hemisphere, not for U.S. export," he added. "Essentially, [Stanley's] U.S.-made product is distributed in the U.S."

Mexico at a glance

Population (1985)	78,820,000
Area	761,604 sq. miles
Labor Force	41% Agriculture 18% Manufacturing
GNP (1984)	$157 billion
(1985)	$163 billion
Real Growth Rate (1973-85)	4.2%
Per Capita Income (1985)	$2,080
Real Growth Rate (1973-85)	1.3%
Imports (1984)	$11.2 billion
Partners	
U.S.	60%
Japan	5%
West Germany	5%
Exports (1984)	$24.3 billion
Partners	
U.S.	58%
Spain	10%

Source: The World Almanac and Book of Facts 1987; World Bank Atlas; *NHCN* chart

FINANCIAL NEWS

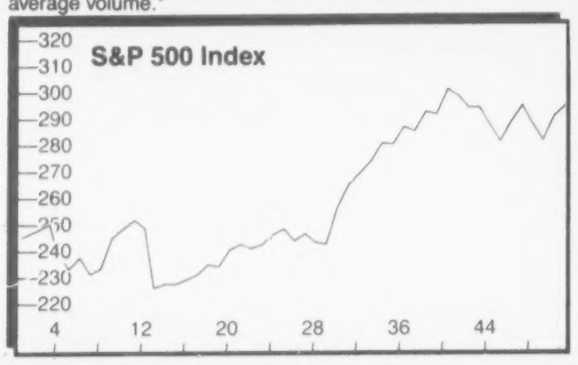


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
6-12-87	(100)	%	%
Am Woodmark ..... M	1,497	456.4	.0
Mor-Flo Inds ..... M	380	237.8	1.0
Manville Cp ..... N	22,572	211.3	10.0
Am Consum Prods ..... M	550	191.8	.0
Pay n Pak ..... N	21,691	172.7	1.2
Hechinger B ..... M	1,815	168.3	5.7
INTERCO Inc ..... N	19,051	167.6	10.9
Wickes Cos ..... A	162,397	166.1	24.1
Moore Handley ..... M	520	162.0	- 13.9
Clarson Intl ..... M	1,360	132.2	3.0

The Volume Trend Change is the percent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 6-12	2-Week Price Change	Total 2-Week Volume
6-12-87	$	%	(100)
Wickes Cos ..... A	4.50	24.1	162,397
Pope & Talbot ..... N	23.13	19.4	2,817
Grossman's Inc ..... M	9.50	18.8	1,752
INTERCO Inc ..... N	44.50	10.9	19,051
Manville Cp ..... N	4.13	10.0	22,572
Stanline Inc ..... M	11.25	9.8	553
Zayre Corp ..... N	28.88	9.0	42,346
Norlek Inc ..... N	14.13	8.7	3,194
K mart Cp ..... N	43.00	7.7	64,298
Natl Hardgoods ..... M	7.50	7.1	303
Losers	$	%	(100)
Supermkts Gen ..... N	38.75	- 14.8	1,978
Moore Handley ..... M	7.75	- 13.9	520
Natl Lumber ..... M	5.25	- 6.7	306
Std Brd Prt ..... N	22.75	- 3.7	2,144
Wasman Ind ..... M	9.88	- 3.7	520
Lewis Palmer ..... M	8.88	- 2.7	806
Black & Decker ..... N	22.88	- 2.7	27,278
Sherwin-Wms ..... N	33.88	- 2.5	7,078
Lowe's Cos ..... N	26.63	- 2.3	11,168
Am Standard ..... N	41.50	- 2.1	4,087

National Home Center News — HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price 2-Weeks Ended 6-12-87	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
6-12-87	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Grossman's Inc ..... M	9.50	1.50	18.8	9.50	8.50	11.25	6.75	1,752	.88	.41	114.6	NE	.00	.0	.....	3 mos.	03-87	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A ..... M	22.75	1.25	5.8	23.00	22.00	23.50	16.00	7,750	7.09	3.24	118.8	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	23.00	1.25	5.7	23.25	21.75	23.75	16.25	1,815	1.10	.41	168.3	23.0	.06	.3	.....	3 mos.	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot ..... N	35.50	2.00	6.0	36.13	33.38	36.13	15.88	16,736	6.02	3.40	77.1	31.4	.02	.1	.....	3 mos.	04-87	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc ..... N	44.50	4.38	10.9	44.63	39.88	47.63	36.63	19,051	6.69	2.50	167.6	14.2	1.60	3.6	.....	fiscal	02-87	651.5	11.7	31.0	.3	.99	2.1	2613.7	4.1	98.6	6.8	3.13	7.2
K mart Cp ..... N	43.00	3.06	7.7	43.38	39.34	45.34	28.84	64,298	3.22	1.89	70.4	14.0	1.16	2.7	NEW	3 mos.	04-87	5594.4	7.3	115.5	26.1	.57	21.3	5594.4	7.3	115.5	26.1	.57	21.3
Lowe's Cos ..... N	26.63	- .63	- 2.3	28.88	26.00	37.50	22.50	11,168	2.82	1.52	85.5	18.6	.44	1.7	.....	3 mos.	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Natl Hardgoods ..... M	7.50	.50	7.1	8.00	7.25	10.00	6.72	303	2.46	1.32	86.4	10.7	.00a	.0	.....	fiscal	01-87	10.6	17.8	.5	400.0	.35	400.0	36.4	8.7	1.0	100.0	.70	94.4
Natl Lumber ..... M	5.25	- .38	- 6.7	5.75	5.25	7.50	4.00	306	.54	.46	17.4	NE	.00	.0	NEW	*	04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak ..... N	21.00	.25	1.2	21.38	18.50	21.38	9.50	21,691	21.68	7.95	172.7	36.8	.40	1.9	.....	fiscal	02-87	82.9	13.1	.4	- 69.2	.04	- 69.2	398.1	19.7	5.7	- 30.5	.57	- 30.5
Payless Cash ..... N	21.50	.13	.6	22.00	20.50	27.00	15.88	10,352	2.99	1.80	66.1	17.2	.16	.7	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc ..... N	13.38	- .25	- 1.8	14.00	13.13	18.00	12.00	1,296	.90	.67	34.3	18.1	.52	3.9	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck ..... N	51.25	.25	.5	51.63	49.75	56.00	39.00	81,375	2.18	1.27	71.7	13.3	2.00	3.9	.....	3 mos.	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Std Brd Prt ..... N	22.75	- .88	- 3.7	23.75	22.13	27.00	19.38	2,144	1.91	1.60	19.4	17.1	.60	2.6	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Strober Organiz ..... M	12.25	- .13	- 1.0	12.50	11.50	15.25	10.50	860	1.43	.78	83.3	13.5	.00	.0	.....	3 mos.	03-87	21.3	- 1.8	1.0	- 16.7	.17	- 26.1	21.3	- 1.8	1.0	- 16.7	.17	- 26.1
Supermkts Gen ..... N	38.75	- 6.75	- 14.8	40.50	38.50	46.75	22.50	1,978	.51	7.08	- 92.8	25.3	.28	.7	NEW	3 mos.	04-87	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes Cos ..... A	4.50	.88	24.1	4.88	3.38	6.25	3.13	162,397	6.84	2.57	166.1	7.5	.00	.0	NEW	3 mos.	04-87	1540.4	54.8	82.7	426.8	.34	1600.0	1540.4	54.8	82.7	426.8	.34	1600.0
Wolohan Lumber ..... M	14.50	.25	1.8	15.00	14.00	15.00	7.50	2,033	3.47	2.02	71.8	13.2	.20	1.4	.....	3 mos.	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp ..... N	28.88	2.38	9.0	29.13	26.13	43.88	20.75	42,346	7.18	3.25	120.9	17.7	.40	1.4	.....	3 mos.	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers																													
Hughes Supply ..... N	26.88	1.38	5.4	26.88	25.25	28.38	20.63	332	1.01	1.16	- 12.9	12.5	.40	1.5	NEW	3 mos.	04-87	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4
Moore Handley ..... M	7.75	- 1.25	- 13.9	9.00	7.63	16.00	6.75	520	2.07	.79	162.0	17.2	.00	.0	.....	3 mos.	03-87	23.6	15.7	.3	.0	.14	- 30.0	23.8	15.7	.3	.0	.14	- 30.0
Lewis Palmer ..... M	8.88	- .25	- 2.7	9.00	8.88	9.88	7.25	806	2.02	2.08	- 2.9	22.2	.28	3.2	.....	3 mos.	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanline Inc ..... M	11.25	1.00	9.8	11.25	9.75	12.75	7.84	553	3.26	2.78	17.3	10.6	.32b	2.8	NEW	6 mos.	04-87	17.3	23.8	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers																													
Am Consum Prods ..... M	10.75	.00	.0	10.75	10.50	11.00	8.50	550	2.86	.98	191.8	16.3	.00	.0	.....	3 mos.	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard ..... N	41.50	- .88	- 2.1	44.25	40.50	51.88	36.00	4,087	1.23	.89	38.2	9.0	1.80	4.3	.....	3 mos.	03-87	779.7	15.3	21.6	- 57.0	.65	- 50.0	779.7	15.3	21.6	- 57.0	.65	- 50.0
Am Woodmark ..... M	14.38	.00	.0	14.63	14.00	17.13	10.00	1,497	2.17	.39	456.4	14.2	.00	.0	NEW	fiscal	04-87	29.3	20.1	1.5	25.0	.22	- 4.3	115.8	18.9	6.8	51.1	1.01	12.2
Armstrng Wrld ..... N	37.75	1.50	4.1	38.13	34.50	44.00	24.88	10,055	2.12	1.39	52.5	13.8	.90	2.4	.....	3 mos.	03-87	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6
Black & Decker ..... N	22.88	- .63	- 2.7	23.50	22.13	23.88	14.50	27,278	4.70	3.07	53.1	38.1	.40	1.7	.....	6 mos.	03-87	436.7	5.7	9.2	475.0	.16	700.0	967.7	3.3	31.6	40.4	.54	25.6
Boise Cascade ..... N	71.75	2.88	4.2	73.00	68.25	86.88	51.50	10,216	3.51	2.54	38.2	18.9	1.90	2.6	.....	3 mos.	03-87	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed ..... N	41.50	2.00	5.1	41.50	39.13	41.88	24.63	815	.43	.74	- 41.9	12.8	1.00	2.4	.....	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl ..... N	36.38	1.75	5.1	36.50	34.13	43.50	22.50	51,286	5.45	2.84	91.9	14.7	.64	1.8	.....	3 mos.	03-87	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
Clarson Intl ..... M	17.25	.50	3.0	17.25	16.75	17.50	10.25	1,360	2.67	1.15	132.2	35.9	.00	.0	.....	6 mos.	03-87	18.9	33.1	.8	60.0	.17	30.8	35.2	23.9	1.0	11.1	.22	- 12.0
Cooper Indus ..... N	57.75	3.38	6.2	58.00	52.63	60.00	35.63	11,021	2.28	1.43	59.4	18.8	1.68	2.9	.....	3 mos.	03-87	800.5	- 7.6	27.6	7.0	.56	5.7	800.5	- 7.6	27.6	7.0	.56	5.7
DeSoto Inc ..... N	40.25	1.38	3.5	40.50	39.00	43.75	34.25	414	1.05	.78	34.6	47.4	1.40	3.5	.....	3 mos.	03-87	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Emhart Corp ..... N	42.13	- .38	- .9	42.63	41.50	43.25	30.75	2,659	.86	.78	10.3	NE	1.40	3.3	.....	3 mos.	03-87	602.6	18.2	28.0	46.6	.90	32.4	602.6	18.2	28.0	46.6	.90	32.4
Georgia-Pacifc ..... N	44.88	2.63	6.2	44.88	40.75	52.75	29.00	48,976	4.56	2.67	70.8	14.2	1.00	2.2	.....	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Insilco Corp ..... N	22.00	.13	.6	23.00	21.25	26.25	17.38	4,192	2.02	1.36	48.5	13.5	1.00b	4.5	.....	3 mos.	03-87	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific ..... N	31.38	1.00	3.3	32.50	29.63	39.63	22.09	14,916	3.93	1.90	106.8	14.5	.80b	2.5	.....	3 mos.	03-87	422.9	31.1	16.3	1064.3	.43	975.0	422.9	31.1	16.3	1064.3	.43	975.0
Macmillan Bloedel ..... M	18.38	.00	.0	18.75	18.25	22.38	8.25	5,347	.53	1.19	- 55.5	NA	.42	NA	.....	3 mos.	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp ..... N	4.13	.38	10.0	4.25	3.50	4.25	1.63	22,572	9.40	3.02	211.3	1.1	.00	.0	.....	3 mos.	03-87	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp ..... N	36.63	1.25	3.5	36.75	33.38	40.88	23.50	17,049	1.32	.93	41.9	22.5	.36	1.0	.....	3 mos.	03-87	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0
Mor-Flo Inds ..... M	12.13	.13	1.0	12.50	12.00	16.50	12.00	380	1.52	.45	237.8	41.8	.01	.1	.....	3 mos.	03-87	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co ..... N	36.00	1.88	5.5	36.50	33.75	39.75	24.00	1,864	1.63	.74	120.3	16.1	.84	2.3	.....	3 mos.	03-87	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Norlek Inc ..... N	14.13	1.13	8.7	14.25	12.88	17.88	11.75	3,194	1.96	1.05	86.7	6.5	.10	.7	.....	3 mos.	03-87	290.4	77.7	9.2	- 5.2	.57	- 40.0	290.4	77.7	9.2	- 5.2	.57	- 40.0
Owens Corn ..... N	25.25	- .13	- .5	25.38	24.13	32.38	8.88	13,837	3.69	3.36	9.8	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	16.50	.38	2.3	16.75	15.38	18.13	10.00	1,603	2.00	1.00	100.0	17.4	.12	.7	.....	3 mos.	03-87	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot ..... N	23.13	3.75	19.4	23.63	19.13	23.63	8.88	2,817	2.34	2.28	2.6	12.0	.44	1.9	.....	3 mos.	03-87	100.3	35.4	6.7	NE	.55	NE	100.3	35.4	6.7	NE	.55	NE
Potlatch Cp ..... N	31.00	- .13	- .4	32.50	30.50	41.88	24.00	6,096	2.30	1.33	72.9	11.7	.84	2.7	.....	3 mos.	03-87	248.6	6.6	17.8	30.9	.63	31.3	248.6	6.6	17.8	30.9	.63	31.3
PPG Inds ..... N	41.25	2.38	6.1	41.25	38.38	49.75	29.63	23,318	1.95	.94	107.4	14.7	1.08	2.6	.....	3 mos.	03-87	1280.8	10.9	86.9	25.6	.73	23.7	1280.8	10.9	86.9	25.6	.73	23.7
Sherwin-Wms ..... N	33.88	- .88	- 2.5	34.88	32.88	38.50	22.75	7,078	1.57	.95	65.3	14.5	.56	1.7	.....	3 mos.	03-87	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works ..... N	33.13	1.50	4.7	33.25	30.75	35.38	23.19	3,737	.88	.88	29.4	17.0	.76	2.3	.....	3 mos.	03-87	416.8	28.8	19.2	30.6	.44	25.7	416.8	28.8	19.2	30.6	.44	25.7
Thos Inds ..... N	19.50	.00	.0	20.00	19.00	22.63	15.50	502	.51	.41	24.4	14.6	.66b	3.5	.....	3 mos.	03-87	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
Triangle Ind ..... N	34.00	1.25	3.8	34.13	32.38	39.75	21.13	4,457	2.62	2.36	11.0	12.7	.12	.4	.....	3 mos.	03-87	912.2	88.5	6.3	96.9	.20	100.0	912.2	88.5	6.3	96.9	.20	100.0
Union Camp ..... N	60.63	1.13	1.9	62.75	59.50	72.25	43.25	12,407	2.53	1.63	55.2	19.6	1.74	2.9	.....	3 mos.	03-87	537.0	8.5	44.2	100.9	.90	100.0	537.0	8.5	44.2	100.9	.90	100.0
USG Corp ..... N	35.75	- .63	- 1.7	37.50	35.00	46.50	31.00	9,352	1.76	1.06	67.9	8.2	1.12	3.1	.....	3 mos.	03-87	693.2	11.4	85.0	64.4	1.65	103.7	693.2	11.4	85.0	64.4	1.65	103.7
Waller, Jim ..... N	51.75	1.38	2.7	52.38	49.00	62.25	40.38	10,899	3.43	1.62	111.7	9.9	1.40	2.7	.....	6 mos.	02-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Wasman Ind ..... M	9.88	- .38	- 3.7	10.25	9.88	13.25	6.34	520	.79	.69	14.5	21.0	.08	.8	.....	9 mos.	03-87	NC	NC	(.6)	- 100.0	(.10)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser ..... N	52.13	3.13	6.4	53.63	49.00	60.00	30.50	33,715	2.49	1.85	34.6	22.2	1.30	2.5	.....	3 mos.	03-87	1617.3	23.8	101.9	103.8	.75	141.9	1617.3	23.8	101.9	103.8	.75	141.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Coast to Coast Stores eyes joint venture with BMA

(Continued from page 1)

He said that the capital and increased cash flow from the public offering "will enable us to grow our business and position us for possible acquisitions and expansion into a truly national company."

As previously reported, the public offering, announced June 1 during the Coast to Coast fall/winter show here, will raise more than $25 million to be used to retire existing debt (*NHCN*, June 15).

CoastAmerica will be listed on the New York Stock Exchange by late June or early July under the ticker symbol "CAC." *(For further information about the financial implications of Coast's public offering, see page 53.)*

The largest franchisor of retail hardware stores in the U.S., CoastAmerica has nearly 1,000 hardware stores operating in 35 states.

Last year, the company moved about $285 million in goods through its three distribution centers, in Springfield, Ore.; Brookings, S.D.; and Crawfordsville, Ind.

At its show, Coast to Coast also announced plans to open a new company-owned-and-operated, 9,000-square-foot store in Denver on July 1 and as many as four other company-owned stores by the end of the summer here.

The stores probably will be converted to franchises, according to Anne Callison, public relations director. She said the company is negotiating leases "on as many as 18 sites."

John Tilley, vp-sales, said the new Denver store will be used to show potential franchisees the "inner workings of a Coast to Coast store and a portion of the building will be used as a training center for new store owners."

The new issue is being underwritten by Drexel Burnham Lambert, Donaldson, Lufkin & Jenrette and Denver-based Boettcher & Co.

"We are not creating value in the offering," he said. "The value already exists. Through the use of additional capital, however, I believe that we can create the best, fastest growing and most dynamic company in our industry."

The company's registration statement filed with the SEC said the offering is for 2.8 million shares of common stock to be offered at a price of between $9 and $11 per share. The over-allotment option is 420,000 additional shares which may be purchased by the underwriters.

Proceeds, estimated at $25 million to $28 million, will be used to reduce debt. On May 8, 1986, Bard and an investors group, The Vons Cos., paid $40.5 million for its shares of Coast to Coast.

Moreover, every existing store will be given, "for free, an option to buy 500 shares of CoastAmerica at the offering price." Stores may exercise these options two years from the offering date at the fixed, initial offering price. CoastAmerica is offering its stores 500,000 option shares.

Store owners' equity stake

In an *NHCN* interview, Bard said the decision to offer options to store owners was "a way of getting our stores to obtain a piece of the rock. It is reasonably inexpensive capital because we are going to grow the business and get an extra return on capital, so you can afford to give away shares."

NAHB chief becomes self-starter

(Continued from page 8)

creating a certification program for remodelers.

The program, begun in May, will be available in January 1989.

The program will concentrate on estimating and selling skills and on producing profitable remodeling jobs. "Most of our people are good remodelers but not good businessmen," said Moriarty.

It will probably consist of several modules with tests after each one. Ideally, classroom study will be conducted in cooperation with local universities.

The goal is to persuade the consumer to hire qualified remodelers and not "someone off the street with the lowest possible price," he said.

As the Council's chairman, Moriarty also is dedicated to completing such projects as the long-awaited warranty program, the catalog of services and quality standards of workmanship, currently in final revision.

The quality standards catalog will detail workmanship standards on projects like pouring concrete foundations.

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Vol. 13, No. 13 June 29, 1987

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Mild weather, import restrictions lend to growing nail shortage

(Continued from page 1)

And right as it was going into its heaviest deck-sale season, the Builders Square in Evansville, Ind., was out of galvanized nails which have been back-ordered since April.

The problems began as far back as January, manufacturers and retailers reported, when deliveries of foreign-sourced galvanized and drywall nails started to slow. But as temperatures and building levels stayed high through late winter and early spring, domestic manufacturers missed their chance during what is usually a lull period to build their inventories for the coming months.

(U.S. Department of Commerce figures show offshore nails accounted for 49 percent of all nails sold last year and should account for 52 percent of nails sold this year.)

Demand is traditionally high for nails in the spring and summer, but this year many factors are contributing to the scarcity. Sustained home building activity, mild winter weather leading to a longer building season and import steel restrictions on foreign nail makers in 33 countries combined to cause lengthened waits for orders of commodity and specialty nails.

Prices on domestic nails, though, appear unaffected by this shortage, say suppliers.

It is unknown how widespread the shortage is, or how long it will last. Kansas distributor Blish-Mize waited four months for a 10,000-pound order of drywall nails from its main supplier, forcing their buyer to switch suppliers to fulfill retail orders.

Supply availability varied markedly for a number of major home center chains: the 253-unit Wickes Lumber experienced slowdowns in shipments, while the 185-store Payless Cashways reported no back-ordering. Co-op Hardware Wholesalers Inc. reported shortages on some sizes of roofing and common nails, with lead times on orders in May and June doubling to six to eight weeks.

However, medium-sized retailers contacted in Georgia, Illinois, Colorado, Minnesota and Wisconsin report no shortages and uncommonly brisk sales of nails.

The mild winter weather was a signal to manufacturers. "We saw [shortages] coming in February and March," said D.D. Tousley, vp of nail sales for Northwestern Steel and Wire in Sterling, Ill. Northwestern, which gets more than half its sales from home centers, had lead time delays of one to two weeks through April, since reduced to the normal two weeks order-to-ship time in May.

Charles Dixon, chairman of the nail producers committee of the American Wire Products Association, said the longer lead times were strictly a function of demand on the 39 domestic manufacturers.

"There's no shortage of capacity in the U.S.," said Dixon, president of Dixon Weatherproof Nails, an Evanston, Ill., manufacturer, "and no one is running flat out."

Home center operators record winning first-quarter figures

(Continued from page 5)

year or longer increased 22 percent at The Home Depot.

At Hechinger, same store volume increased nine percent, up from the eight percent in 1986. Same store sales increased six percent at Payless Cashways and 5.4 percent at Scotty's.

Oil patch store impact

Impacted by its oil patch stores, Lowe's reported only a one percent same store sales increase, down from the six percent of 1986.

The Home Depot reported earnings of $12.8 million on sales of $334.0 million for the first quarter.

Hechinger recorded a 53 percent jump in net earnings to $7.6 million, on sales of $164.8 million. Lowe's earnings increased 14 percent to $12.9 million on revenues of $569.1 million.

For its first quarter which ended in February, Payless Cashways recorded a 45.8 percent increase in earnings to $3.5 million on sales of $332.1 million.

David Stanley, chairman of Payless Cashways, speaking before security analysts in New York last month, indicated the company was doing better outside the oil patch.

Without oil patch stores, same store sales would have increased 12 percent for the quarter.

"We'll make money this year in the oil patch, but not as much as we used to," said Stanley.

Knox Lumber, which Payless acquired last year, is a different story.

Stanley said the St. Paul, Minn., chain made $6 million in pretax profit in 1986 and "will make significantly more money" in 1987.

Smaller-ticket items big

Many observers point to the fact that consumers spent their big-ticket purchases last year for automobiles. This year, they seem to be concentrating on the smaller-ticket purchases for remodeling.

And despite its same store sales reports, Lowe's has expressed confidence that 1987 will indeed turn out to be a good year.

"The only loose cannon out there now is Builders Square," said Bob Strickland, Lowe's chairman, speaking at the same meeting with Stanley. "You have to remember that Builders Square has the same initials I do. Some people think there is too much B.S. in this business."

Lowe's said that total sales are 12 percent ahead of last year and that this pace should continue through 1987.

It looks as though Ace Hardware, the Oak Brook, Ill., co-op, will experience bigger revenues increases in dollars for the first half of 1987 than for all of 1986.

For the first five months of this year, revenues have increased 14.3 percent. Last year, total revenues increase was 5.1 percent.

For the first 11 months of the fiscal year ended in June for Hardware Wholesalers Inc., sales came to $718 million, up 11.5 percent over the same period a year ago.

"I hope the rest of the year continues to be like the first five months," said executive vp Mike McClelland.

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McCoy's new unit first outside Texas

By Suzanne Floyd
NHCN staff editor

SAN MARCOS, Texas — McCoy's Building Supply Centers opened its first home center outside Texas last month, a new unit in Pine Bluff, Ark.

The 79-store chain also opened two Texas locations in El Paso and Austin in May.

The stores are all new constructions and are similar to existing units in size, layout and merchandise, according to Vance Posey,

(Continued on page 108)

Dealers slash budgets, earnings rise

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Home centers have gone on a crash diet.

Spurred to action by 1986 results that came in under plan, retailers are cutting fat from operations and making assets more efficient.

In some cases, cost cutting—in tandem with a consumer spending binge and easing of shelf pricing pressures—has created some surprisingly healthy bottom lines.

Reports from the seven largest publicly held home center firms reveal that during the most recent quarter:

- Six cut overhead expenses as a percent of revenues;
- Four achieved better markup from merchandise on their shelves;
- Four experienced a decline in the tax rate.

Home Center Net Margins

Company	Net Margin 1Q 1987	Net margin 1Q 1986
Hechinger	4.49%	3.55%
The Home Depot	3.83	2.31
Lowe's	2.27	2.13
Payless Cashways	3.31	3.65
Scotty's[2]	2.25	3.22
Wickes	2.55	0.43

[1]Second quarter ending May 30.
[2]Third quarter ending March 28.
NHCN chart

Thanks to some operational cost cutting, some home centers experienced an earnings increase for the first quarter of this year.

The move by the larger companies echoes similar moves made previously by independents.

Harlan Hummel, executive vp of the National Lumber and Building Material Dealers Association (NLBMDA), Washington, said many of the 15,000 smaller retailers in his organization cut costs over the last two years, and now are reporting healthier net margins as a result.

Gross margins dropped last year for the $10 million Collins Cashways, Loveland, Colo., which responded by cutting many expense items. "We have toed the line in advertising, insurance and other areas," said Doug Frost, manager of the two-unit firm's

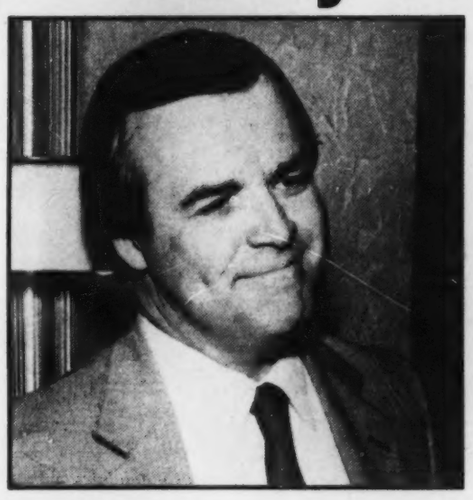
(Continued on page 107)

Westlake plans entry into Texas with former Handy Dan outlets

By Gary S. Ruderman
NHCN staff editor

LENEXA, Kan. — The privately held, 41-unit Westlake Ace Hardware here will make its first entry into the Texas market with at least four units through acquisition of Handy Dan locations from Wickes Cos., *NHCN* has learned.

Through a recently incorporated subsidiary, Westlake is expected to sublease Handy Dans in Amarillo, Odessa and Midland, Texas, and one Allwood unit in the state from Wickes. The California conglomerate purchased these units as part of its acquisition of W.R. Grace's western home center division last year. Financial details were unavailable.



Daryl Landsdale, a Lone Star Hardware principal. NHCN photo

The Handy Dan and Allwood stores were slated to take a physical inventory the first four days of July in contemplation of a mid-July closing.

In addition, the subsidiary is negotiating acquisition of

(Continued on page 108)

New co-op pushes marketing to builders

By John Caulfield
NHCN staff editor

PHILADELPHIA — Last year, Stanley Gomberg began noticing how hardware cooperatives such as Cotter & Co., Ace Hardware and American Hardware Supply were making a big push to expand their distribution of building materials.

Gomberg, who 20 years ago founded Materials Corporation of America (MATCO)—which currently is comprised of 25 commodities distributors with 40 warehouses serving around 14,000 dealer accounts and generating $400 million in sales annually—saw the competitive threat to his organization "because it erodes our natural dealer base."

(Continued on page 107)

New England boom times leave Plywood Ranch behind

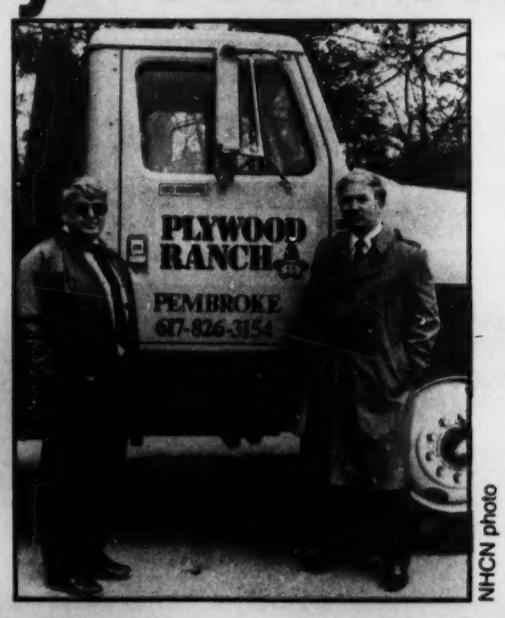
Mass. chain files Ch. 11

By Milford Prewitt
NHCN staff editor

AUBURN, Mass. — Plywood Ranch, the long-struggling New England home center chain, has filed for Chapter 11 protection from its creditors just days after three suppliers attempted to impose involuntary liquidation proceedings on the chain.

The company's setback comes at a time when a new

Plywood Ranch's R. Lee Tussing, vp of marketing (left), and Edward Ferland, vp of operations and merchandising (right). Management is paring down the size of the chain from 10 units to 4.



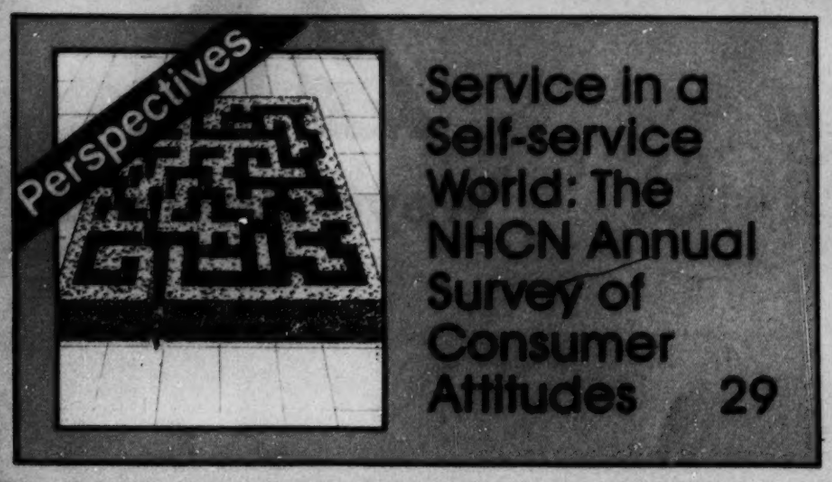
NHCN photo

and creative owner-management team was putting together a program to improve the ailing chain's fortunes.

But the plan to turn the company around seems to pale in light of a number of store closings over the past 2½ months, dropping Plywood Ranch's store count from a high of 10 in January to six (including two franchised units) at the end of June. During the early 1980s, Plywood Ranch operated as many as 30 stores in six New England states,

(Continued on page 108)

INSIDE



Service in a Self-service World: The NHCN Annual Survey of Consumer Attitudes 29

NEWSBREAKS

WESTERN LUMBER EXPANDS: The San Diego chain will buy four ex-Lumber Ones. These and its own seven units will be renamed "Western Lumber," and drop "Westy's."

FLA. INVESTOR SWEETENS PAY 'N PAK BID: Paul Bilzerian offered $17 in cash and $5 in preferred stock for the chain's common shares, plus another 50 cents in preferred if the chain revoked an agreement to pay a cancellation fee to a management-led group whose takeover bid was accepted last month.

INDUSTRY UPDATE

Home Lumber files for Ch. 7

ALAMOSA, Colo. — The Home Lumber Co., which operated three home centers in the southern Colorado towns of Alamosa, Monte Vista and South Fork with combined sales of about $3 million annually, has filed for Chapter 7 bankruptcy, according to vp-general buyer Bob Graham.

Graham said the four-year-old company couldn't meet its credit obligations and was "hard-hit by the economy" in the region located near the New Mexico border. Chapter 7 of the U.S. Bankruptcy Code is for liquidation of assets.

Toolathon opens 2 franchises

TOTOWA, N.J. — Toolathon, the specialty tool chain, will open its first two franchise operations in Bricktown, N.J., and Bensalem, Pa., a suburb of Philadelphia shortly. The six-unit company hopes to have entered into 10 franchise agreements by year end, according to Ken Kwit, president.

"Franchising will allow us to expand rapidly, have the combined buying power of a multiple store operation and coordinate advertising," said Kwit. "We are already attracting a wide range of interested parties, and have had response from outside the Northeast too."

By franchising its operation, Toolathon will be able to widen its reach from its northern New Jersey origins into the entire Northeast area.

Toolathon is offering franchises at a cost of $250,000 including inventory worth $170,000. Stores average 3,000 square feet and are located in high-traffic shopping centers.

San Diego County indy debuts

RANCHO PENASQUITOS, Calif.— Dick Hallett, who in 1985 sold his interest in the two-unit Build & Grow in Orange County, has opened a home center in this San Diego County community.

The new facility, consisting of a 10,000-square-foot showroom, 3,000-square-foot covered area and 12,000-square-foot outside yard, debuted in May.

Hallett's partner in the venture is Bob Serr, who owns several rental equipment businesses in San Diego County. About 6,000 square feet of the outside yard is devoted to rental equipment for both construction projects and parties, Hallett said.

The original Irvine, Calif.-based Build & Grow business was merged with Crown Hardware in 1986.

Fla. ad tax challenged

TALLAHASSEE, Fla. — The constitutionality of the recently passed five percent service tax here was debated in the state Supreme Court June 22.

During oral arguments, attorneys for newspaper publishers and broadcasters said the tax on advertising impairs free speech.

The law, which adds a five percent tax on national and local advertising, public relations, accounting, legal and other services, would affect Florida home centers and manufacturers who place national advertising in the state.

The Miami Herald reported that the court would not issue a decision until after the law takes effect July 1.

Governor Robert Martinez requested an advisory opinion from the court on May 12 after approval of the tax resulted in the filing of several challenges in the Leon County Circuit Court.

The law is being challenged on both state and federal levels, but the opinion would be used by Florida's lower courts to address state matters only.

According to the *Herald*, the justices said their goal is to rule before summer recess begins July 20.

Home center stocks soar

NEW YORK — Home centers had a lot to cheer about in the stock market for the two weeks ended June 26.

Of the stocks tracked for *NHCN* by Media General, 37 rose in price and 19 dropped. Two stocks remained unchanged.

Payless Cashways rose faster than any other retailer, increasing by 10.5 percent to $23.75.

Moore Handley rose 9.7 percent to $8.50, and Standard Brands Paint rose 3.8 percent to $23.63.

See financial tables, page 103.

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Georgia-Pacific purchases U.S. Plywood stock for $215M

By an NHCN staff editor

ATLANTA — Attracted to U.S. Plywood's industrial products line, Georgia-Pacific has purchased all of the outstanding stock of U.S. Plywood for approximately $215 million.

Gail Smith, G-P spokesperson, said there will be few changes in the offing for U.S. Plywood, noting that the giant forest products and building materials producer expects to operate the new acquisition as a wholly owned subsidiary.

"It's a good fit with what we have currently," Smith said. "They have a great niche in the industrial products market and that's something we've been looking at."

Like its new parent, U.S. Plywood manufactures and distributes a broad array of wood products. In addition to industrial particleboard for the furniture industry, U.S. Plywood produces or distributes plywood, hardboard siding, prefinished interior paneling and waferboard structural panels. Much of the product lines of the two companies overlap, particularly in the structural panel and prefinished categories.

In addition to the product mix, G-P will further its strong distribution profile by acquiring U.S. Plywood's 44 distribution centers, giving G-P more than 180 distribution facilities nationwide, more than three times the 60 DCs operated by Weyerhaeuser its largest competitor.

Of the $7.2 billion G-P made in total net sales last year, $4.8 billion was derived from its distribution system.

U.S. Plywood had sales in 1986 of $944 million. It was formed about two years ago when it spun off from Champion International in a senior management-led leveraged buyout.

U.S. Plywood's executive vp Jack Armstrong, who led the takeover, declined to discuss the acquisition and referred all inquiries to Atlanta.

Deteriorating sales, Texas recession push Davidson to file for Chapter 11

By an NHCN staff editor

HOUSTON — Davidson Texas, a well-known prehung door, molding and window wholesaler/manufacturer in Texas, has filed Chapter 11 after three years of consecutive sales erosion.

John Barton, the ceo who was brought aboard in April to lead the company out of its current difficulties, said the 87-year-old distributor sought protection from its creditors in bankruptcy court June 12.

Barton declined to outline its financial posture, except to blame "110 percent" of Davidson's misfortunes on the continued Texas recession.

"We just found ourselves in a position where our costs exceeded our income and in order to survive we had to seek protection," Barton said.

NHCN was unable to obtain Davidson's filing documents from the Federal Bankruptcy Court in Houston by presstime.

Barton said that the company had enjoyed sales as high as $53 million in operating three distribution and production plants in San Antonio, Houston and Austin. But with the recession in oil and real estate, the softness of the Texas economy reached the company and reduced 1986 sales to $22 million.

Davidson derived 85 percent of its volume from building materials delivered directly to contractor job sites.

The balance of the company's services was directed to lumberyards in outlining Texas communities.

"Just here in Houston, we've gone from a high of 60,000 housing starts to a little over 6,000 and that made a big dent in our business," he said. "We're off 50 to 60 percent from what was our heyday in 1984."

Barton's remedy for improving the company's health includes a number of changes in its operations and marketing strategies.

He said the company is aggressively pursuing bids on multifamily construction sites in areas outside of Texas and has already scored with commitments in New Jersey, Florida and Phoenix.

New installation services

Besides making the usual consolidations and cutback in payroll, Barton said the firm will also expand its installation services to include security hardware and, in some cases, bathroom hardware.

He said the company is also gearing up to service retailers who cater to DIYers.

Creditors and the banks who have been acquainted with Davidson's plans are encouraged by the company's resolve to improve its health, Barton said. They reportedly haven't presented any obstacles to the company reorganization plan.

Padco awarded $3M in patent suit

By an NHCN staff editor

MILWAUKEE — U.S. District Court here has awarded Padco, the paint applicator manufacturer, more than $3 million in damages, and has enjoined the EZ Paintr division of Newell Cos. to stop selling a roller product deemed by a jury to be infringing on a patent held by Padco.

On June 12, Judge Robert W. Warren ordered that EZ Paintr, also based in Milwaukee, and Newell, named as a codefendant, halt the sale of a splatter-shield paint roller product it introduced in 1985 that was found to infringe on Padco's patent for a splatter shield roller it brought out in 1979.

The trial lasted three weeks and the jury found against EZ Paintr, awarding $910,000 in damages. Judge Warren exercised his option to triple the damages—basing his decision on the jury's verdict that the infringement was willful—and awarded Padco $2.73 million.

He also granted a number of other payments—such as attorneys' fees and $92,996 in prejudgment interest—that will bring the total judgement to over $3 million.

A spokesman for EZ Paintr told *NHCN* that the company would decline to comment about the order because it was "currently in the hands of our attorneys and in the appeal process." The deadline for an appeal filing was scheduled for July 12.

Edward Goldstein, a vice president for Padco, said that dealers marketing EZ Paintr's splatter shield rollers would be allowed to sell out existing inventories, but would be getting no more stock.

He also mentioned that this was not the first time the two companies had locked horns in litigation. In 1985 Padco sued EZ Paintr for infringing on a patent it held on a textured paint roller. The case was settled out of court.

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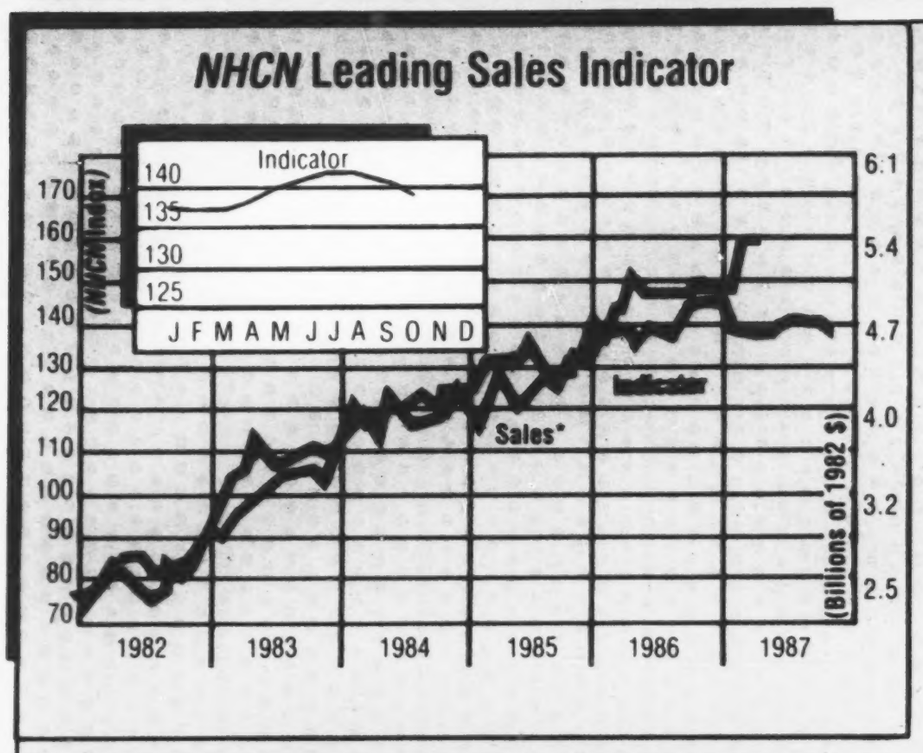
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales remained strong in the first quarter, but the rise in mortgage rates suggests lower starts and resales ahead.

Building material sales to rise faster than economy into 1990s

By Richard E. Mount
Special to NHCN

Building material sales will rise faster than the overall economy and most types of consumer spending into the 1990s. Following the 7.5 percent rise in unit volume expected for 1987, sales should increase three percent in 1988 and four percent for both 1989 and 1990.

Economic Underpinnings

The current economic expansion is now the second longest of the post-World War II era and is still headed for further gains.

The problems that usually develop at this stage of a recovery, which signal a pending contraction, are missing.

Richard E. Mount

Inflation remains tame in spite of the firming in energy prices. While the Consumer Price Index is up from a year ago, it remains near its pace of 1985. Capacity utilization rates in manufacturing plants are low enough that plant bottlenecks are rare and labor shortages are not widespread.

The three major problems facing the economy are federal debt, consumer debt and foreign debt. The federal deficit increases $170 billion annually, but it is coming down from its prior $200 billion pace and each year it represents a smaller portion of the total economy. Until it falls sharply, real interest rates will remain high.

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1985	1986				1987			1985	1986	1987
		QIV	QI	QII	QIII	QIV	QI	QII	QIII			
***NHCN* Leading Sales Indicator** (January 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	141.8	140.6	118.5	130.4	140.3
General Economic Outlook												
	GNP $1982 Billion	3,655.9	3,661.4	3,686.4	3,696.1	3,735.9	3,742.6	3,760.2	3,780.4	3,585.2	3,675.0	3,754.8
	Real Disposable Income $1982 Bil.	2,581.2	2,625.8	2,605.5	2,595.4	2,612.0	2,602.4	2,642.3	2,657.4	2,528.0	2,602.0	2,628.5
	Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,695	1,575	1,550	1,575	1,733	1,762	1,599
	Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,795	1,620	1,600	1,600	1,742	1,806	1,654
	New Home Sales (000 SAAR)	791	794	685	712	725	675	670	675	688	749	686
	Resales (000 SAAR)	3,256	3,470	3,615	3,927	3,625	3,450	3,425	3,425	3,214	3,565	3,481
	Prime Rate %	9.4	8.6	7.9	7.5	7.5	8.1	8.5	8.5	9.9	8.4	8.2
	Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	10.3	10.4	10.4	12.5	10.2	10.1
	Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	335.0	339.3	343.4	347.5	322.1	328.3	341.3
	Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.2	292.6	299.8	303.2	307.3	293.8	289.8	300.7
	New Housing Affordability 1980-100)	128.6	129.4	126.1	128.9	129.2	127.3	119.3	118.8	117.6	128.3	123.7
Residential Alterations and Repairs												
Current	Total $ millions SAAR	91,800	83,300	104,400	86,700	89,885	92,119	94,744	97,841	80,267	91,416	93,647
	Maintenance and Repair	37,700	29,800	40,600	36,300	37,570	38,288	39,094	39,834	35,358	35,990	38,697
	Additions and Alterations	33,900	39,600	44,700	35,400	35,386	36,236	37,601	39,159	28,775	38,662	37,096
	Major Replacements	20,200	13,900	15,000	19,100	16,929	17,594	18,049	18,848	16,134	16,766	17,855
Constant	Total Millions $1982 SAAR	83,655	74,114	96,100	83,969	82,300	83,510	85,040	86,950	74,614	84,459	84,450
	Maintenance and Repair	34,355	26,514	38,900	33,569	34,400	34,710	35,090	35,400	32,864	33,334	34,900
	Additions and Alterations	30,892	35,233	42,828	32,737	32,400	32,850	33,750	34,800	26,791	35,423	33,450
	Major Replacements	18,408	12,367	14,372	17,663	15,500	15,950	16,200	16,750	15,180	15,702	16,100
Retail Trade Activity												
Current	Total $ millions SAAR	1,414,624	1,431,108	1,486,596	1,485,648	1,472,336	1,511,155	1,534,076	1,553,925	1,379,621	1,445,875	1,517,873
	Total Minus Automobile	1,104,376	1,109,508	1,122,908	1,133,900	1,157,804	1,166,438	1,188,030	1,202,138	1,067,762	1,117,943	1,178,602
	Building Material, Hardware, Garden Supply, Mobile Home	86,136	87,528	88,884	89,488	91,328	94,627	96,917	97,384	75,556	88,009	95,064
	Building Material and Supply	63,708	64,396	62,956	64,584	68,720	71,018	72,836	74,068	55,695	65,529	71,661
	Hardware	10,500	10,884	11,832	11,748	12,204	12,466	12,668	12,828	10,397	10,700	12,542
Constant	Total Millions $1982 SAAR	1,315,572	1,347,130	1,387,454	1,375,074	1,346,187	1,368,000	1,375,000	1,379,000	1,287,616	1,356,308	1,367,047
	Total Minus Automobile	1,035,810	1,059,027	1,064,042	1,066,022	1,070,696	1,068,000	1,077,000	1,079,000	1,003,247	1,056,225	1,073,674
	Building Material, Hardware, Garden Supply, Mobile Home	80,855	84,482	84,599	83,399	84,352	86,534	87,750	87,300	71,575	83,334	86,484
	Building Material and Supply	59,791	62,149	59,924	60,188	63,469	64,750	65,750	66,200	52,705	60,513	65,042
	Hardware	9,857	10,508	11,262	10,949	11,272	11,400	11,470	11,500	9,860	10,644	11,411
	Building Materials % of Total Less Automobile ($Current)	5.77	5.80	5.61	5.70	5.94	6.09	6.13		5.22	5.86	6.08

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 26, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Sales will rise faster than economy into 1990s

(Continued from page 16)

The rise in consumer debt has been concentrated in the auto sector, but the slowdown in auto sales—that has already begun—combined with an expanding economy will correct this situation gradually.

Foreign debt problems will be addressed on a bank-by-bank basis with the Federal Reserve stepping in as a last resort.

On the positive side, many sectors that have been weak over the past year are correcting themselves and will add support to the economy over the next few years.

Starts should rebound

The contraction in housing starts since early 1986 is concentrated in the overbuilt multiunit sector. But vacancy rates in these units have stabilized, suggesting a rebound in starts by 1988. The drop in energy prices is past and domestic mining for oil, gas and coal will increase with higher prices and low drilling costs.

Manufacturing output and investment in business equipment have been restrained for most of the recovery because of the high dollar. With the dollar down about 40 percent since early 1985, industrial output is showing some strength.

As fears of the new tax law subside and operating rates increase, investment in new machinery will increase.

Under these conditions, the economy will slowly rise over the next few years as there are not enough major internal or external imbalances to cause a downturn.

Positives for housing

Housing will be strong through 1990. The last of the postwar baby boom is becoming first-time home buyers, good for resales and smaller new homes, in particular. Mortgage rate changes will be small during this time because of moderate inflation, maintaining the current levels of housing affordability.

Outlook for sales

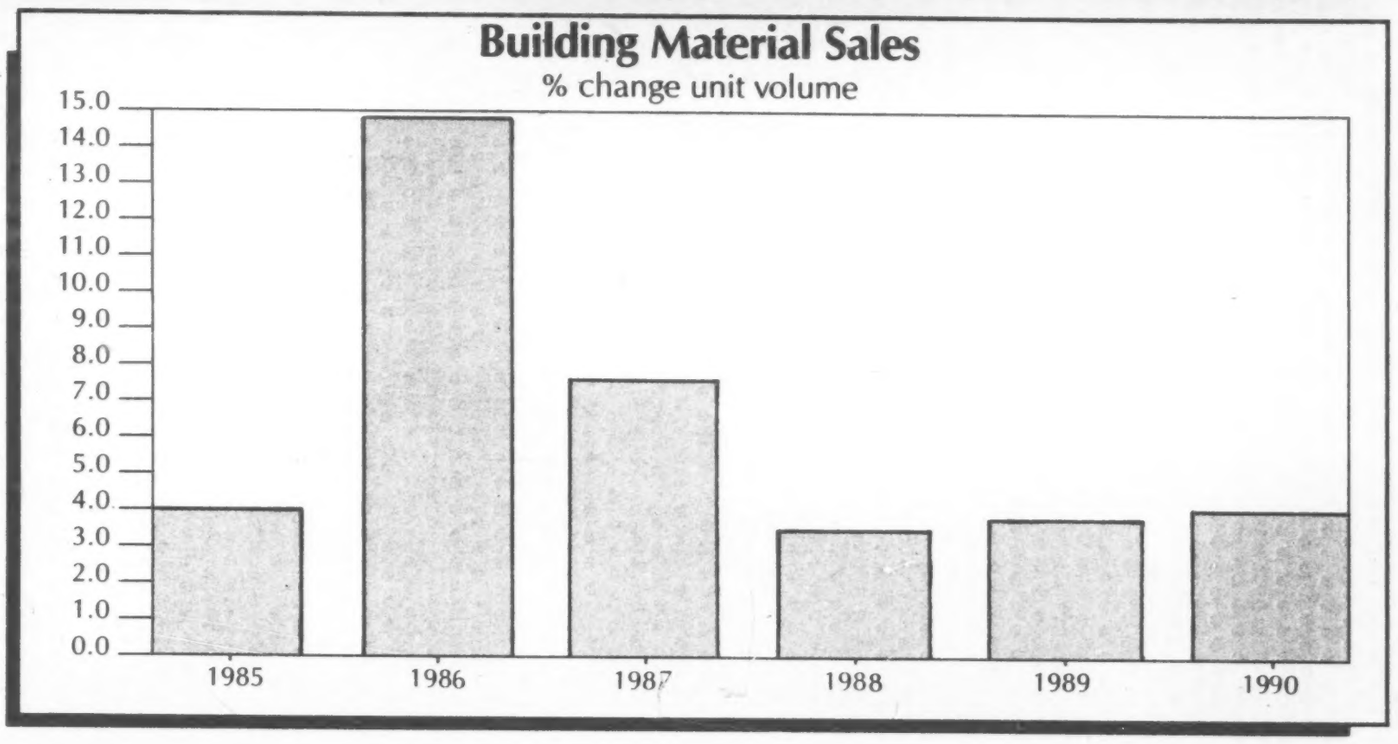
Building materials will be one of the stronger categories of retail sales in coming years.

In addition to the overall economic and housing climate, building material retail sales will get support from population and the new tax law. The average age of the population is rising and older individuals prefer DIY projects.

Good experience with small jobs increases both confidence and the willingness to tackle larger ones in the future. The new tax law favors home improvements over other types of consumer spending. While most areas of consumer borrowings are no longer tax deductible, home improvement loans are.

Sales of building materials should rise .11 percent this year, 7.5 percent after inflation, propelled by the sharp jump in resales in the second half of 1986.

But mortgage rates rose in April and May, pressuring housing starts and resales in the spring and probably through the summer. This will soften the gain in building material sales in 1988 to three percent after inflation. With the economy gaining momentum in 1988 through 1990 as various sectors improve, employment, housing starts and resales will rise, increasing building material sales four percent annually in 1989 and 1990.



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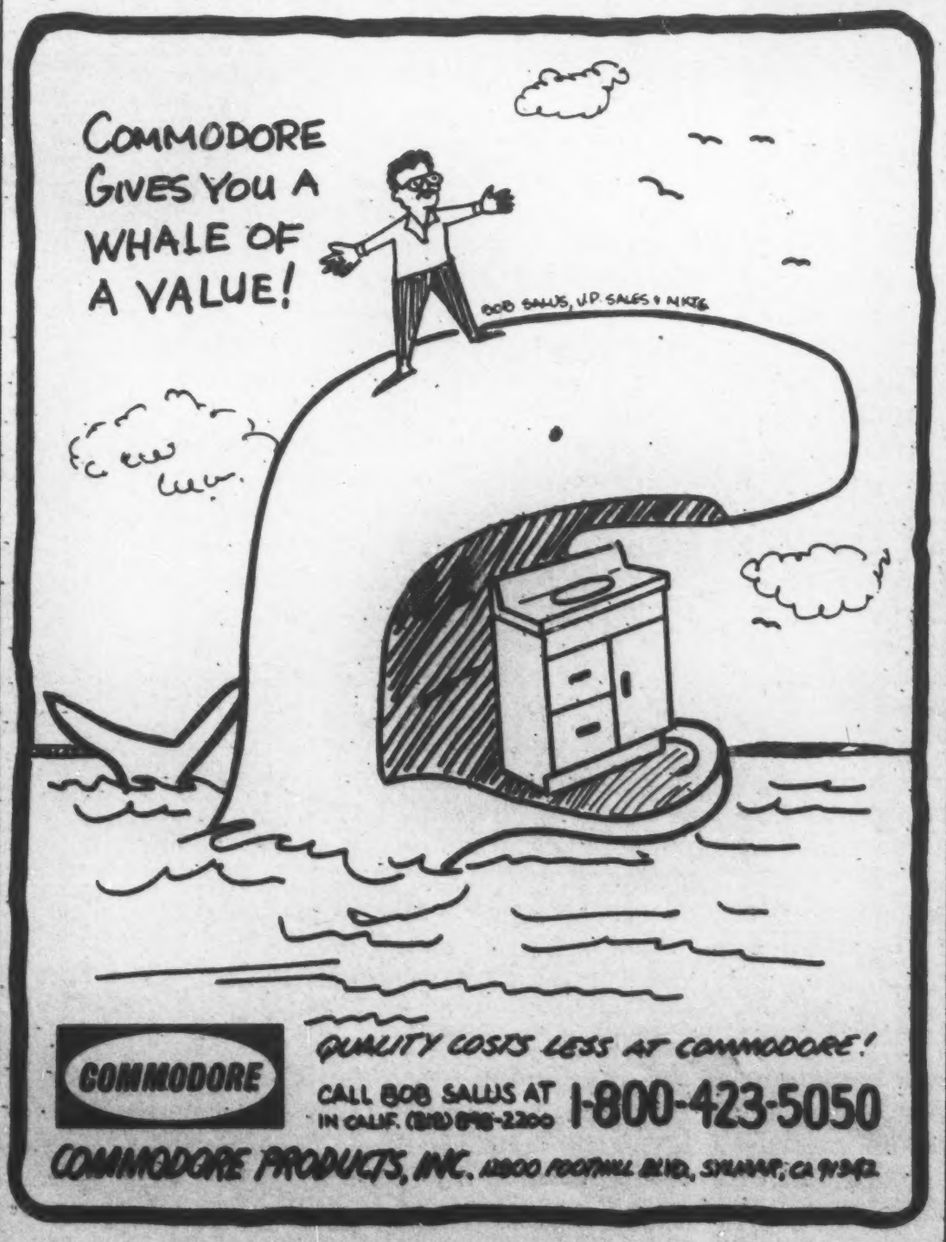
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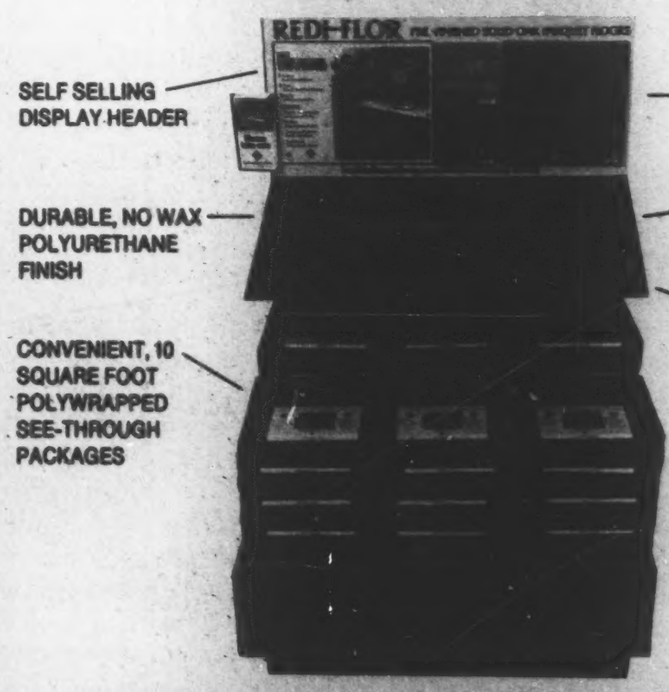
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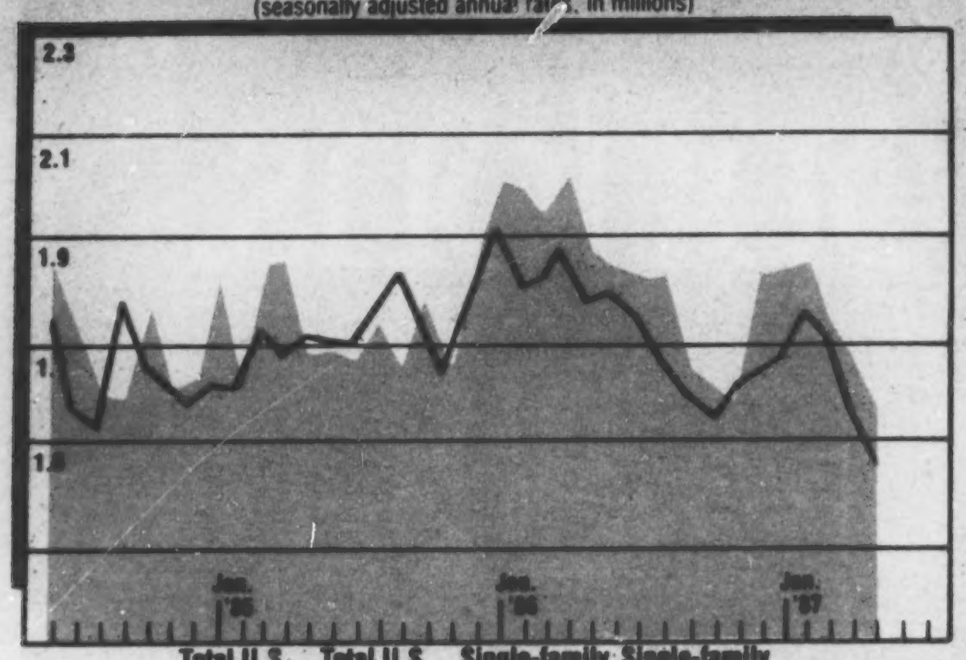
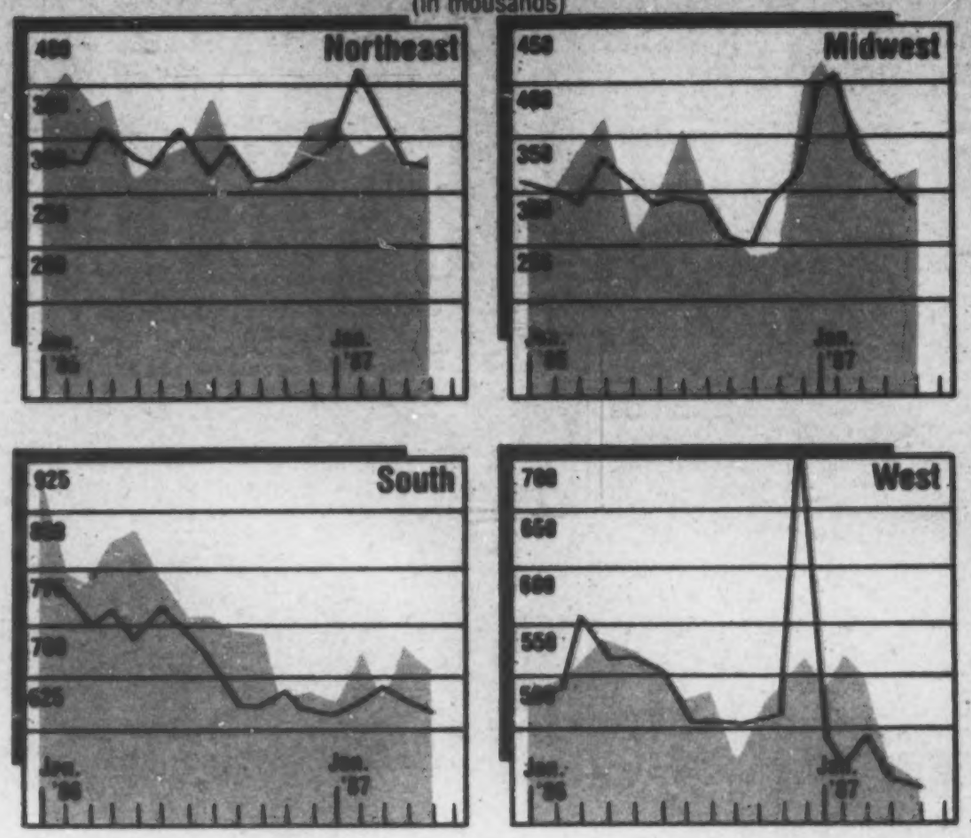
National housing starts and permits
(seasonally adjusted annual rates, in millions)



	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
May '87[p]	1,620	1,477	1,129	1,005
Apr. '87[r]	1,665	1,598	1,222	1,058
May '86	1,848	1,778	1,129	1,083

[p]preliminary [r]revised
Source: U.S. Commerce Department

Regional housing starts and permits
(in thousands)



Starts fall 12% from May 1986

By an NHCN staff editor

NATIONAL REPORT — Rising mortgage rates that topped 11 percent in many areas of the country cooled housing starts activity in May to a seasonally adjusted annual rate of 1.62 million units, down three percent from April.

Compared to May 1986, starts were off 12 percent, according to the Commerce Dept. Single-family starts fell nearly eight percent to 1.129 million units, down seven percent from May 1986.

Housing permits hit the lowest level in four years in May, with just 1.477 million units recorded, down 7.6 percent from April and 17 percent from last May.

The National Association of Home Builders (NAHB) is forecasting of 1.6 million units in 1987. Expectations for single-family starts, however, have been pared down to between 1 million and 1.1 million units instead of 1.1 million to 1.2 million units.

Gopal Ahluwalia of NAHB said the declining starts level was expected and that rising mortgage rates have yet to significantly impact new home construction. But if the rates continue to rise new starts will be severely impacted.

Ahluwalia expects mortgage rates to rise to 12 percent this year, up from the previously forecasted 11 percent.

In the meantime, new housing starts are on target with earlier projections.

The Northeast charted the largest gain in activity, up seven percent from April to an annualized 294,000 units, up 6.5 percent from May 1986. Permits in the region went down six percent to 273,000 units, off three percent from last May.

The Midwest saw activity inch ahead two percent, to 316,000 units, up 21 percent from May 1986. New permits fell nine percent to 278,000 units, down five percent from its May 1986 pace.

The biggest starts and permits decline in May was recorded in the West. Starts fell seven percent to 380,000 units, off 26 percent from May 1986. And permits declined 12 percent to 364,000 units, a loss of 28 percent from last May.

Starts fell six percent in the South, to 630,000 units, off 21 percent from May 1986. Permits fell four percent to 562,000 units, down 19 percent from last May.

Regional Housing
May '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	294	+6.9	273	– 3.2
West	380	–6.9	364	–28.1
South	630	–6.3	562	–19.3
Midwest	316	+1.9	278	– 5.4

Source: U.S. Commerce Dept.

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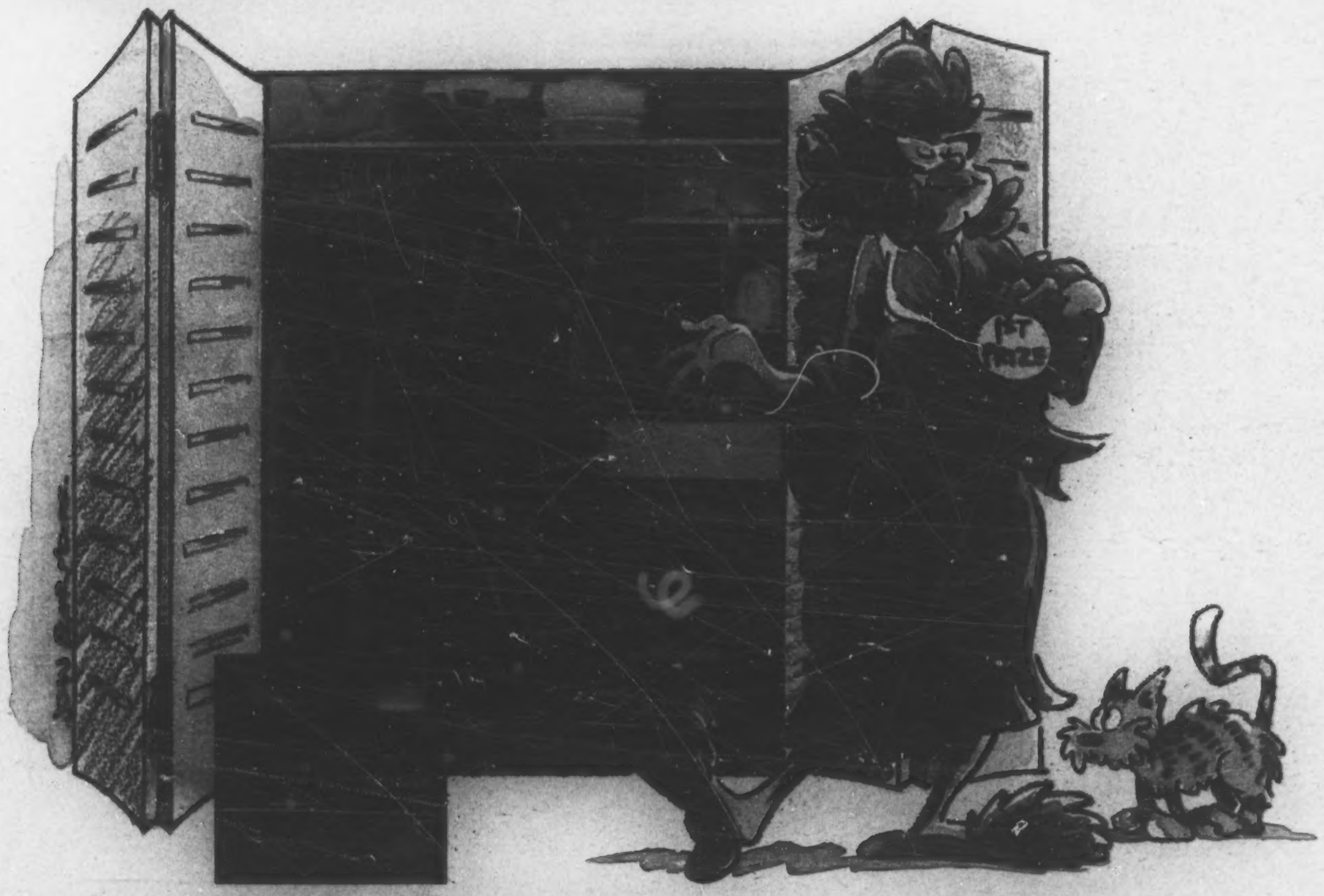

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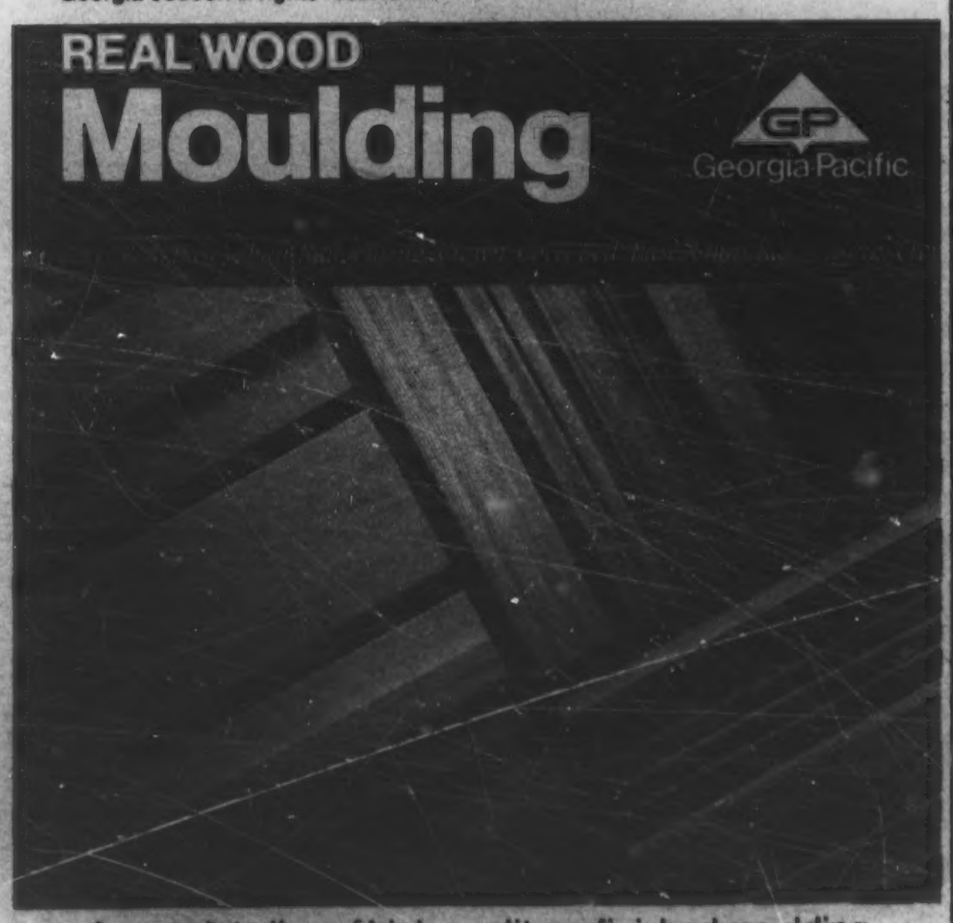

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Less demand foreshadows a drop in lumber prices

By Hawk Furman
Special to NHCN

"Where is all the lumber going" is the most asked question by lumber distributors today.

Lumber production in North America is at an all-time high while demand is slackening. The price of random length 2 x 4 Western S.P.F. is up 20 percent from last June while 2 x 10 Western S.P.F. is selling at $293 per thousand board feet FOB at the mill, up a whopping 40 percent from a year ago. What gives?

> "Lumber production in North America is at an all-time high while demand is slackening. It's not a matter of 'if' lumber prices are coming down, but 'when' and 'how much'."
> —Hawk Furman

Lumber prices are defying gravity. Southern yellow pine prices are up 17 percent, Green Douglas fir 2 x 10 random lengths from Oregon up 19 percent. On the other hand, the supply and demand equilibrium in panel board products show reality. Plywood prices are off eight percent from 1986, reflecting an increase of panel products and a leveling of demand. It's not a matter of 'if' lumber prices are coming down, but 'when' and 'how much.'

Production high

Production by mills on the U.S. West Coast is up one billion board feet for the first twenty-one weeks of 1987 compared to 1986.

Canadian production is up six percent for the year, despite the lumber tax. Exports to the U.S. are surging. Production last year was hampered by strikes in the Pacific Northwest when workers at mills owned by Weyerhaeuser and Williamette went on strike. In British Columbia 40 percent of the province's production was shut down by a sixteen-week strike.

Inventory building

Inventories are building at docks, reloads, warehouses and mills. The current dock survey shows 210 million board feet of dimension lumber on the docks from Baltimore to Boston. There is another 95 million board feet on the water destined for the East Coast. This represents a 16-week supply of framing lumber.

San Diego, already loaded with cargo lumber, has four unsold barges loaded with dimension lumber headed to port. Unsold inventories at the mills are also building. The WWPA figures show West Coast and Inland mill inventories up 12 percent over last year at this time.

Demand slackening

Demand for lumber has been good this year, yet housing starts continue to decline.

May starts were reported at an annual rate of 1.620 million and permits at 1.477 million. This is the worst housing start level since December 1984. May housing permits fell 21 percent from May of 1986.

Unsold inventory of new homes is the largest since 1978. In the Northeast, construction remains strong but houses that sold in an average of 29 days last year are now taking three months to sell.

Large contractors in the Northeast predict a construction slowdown this fall as builders try to sell what they have already built.

The bottom line to overproduction, inventory building and slowing demand is downward pressure on price. The question is how soon will price erosion begin and how low will prices go.

Hawk Furman is president and ceo of Furman Lumber in Boston.

Ply-Gem opens new warehouse

By an NHCN staff editor

BRONX, N.Y. — Ply-Gem Industries and its subsidiary, Allied Plywood, have opened a 60,000-square-foot warehouse in the Hunt's Point section of The Bronx.

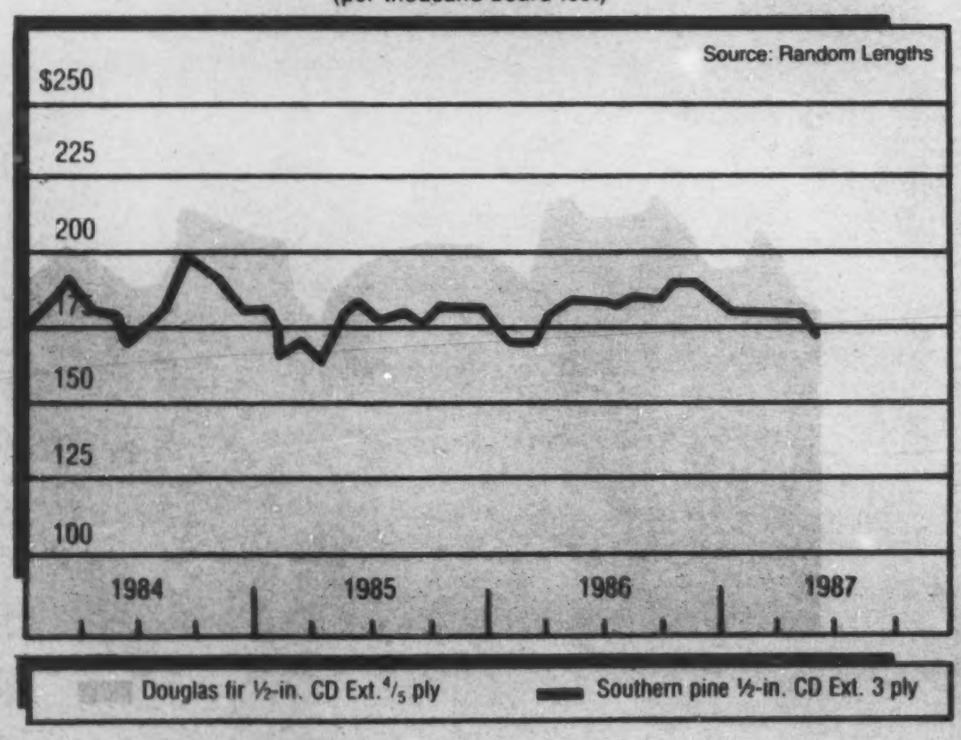
The new warehouse consolidates the company's former facilities which were located in New Haven, Connecticut and Union, New Jersey.

Bill Murray, vice president of Allied Plywood, said the new operation will allow the company to provide better service to its customers in New York, New Jersey and Connecticut because the Bronx offers easy access to all points in the New York City metropolitan area.

Allied Plywood, one of the largest distributors of specialty woods, offers a broad range of noncommodity-type products including hardwood plywood, flakeboard, hardboard veneers, melamine, tile board, wall paneling, planking, molding and other home related products.

Commodity close-up

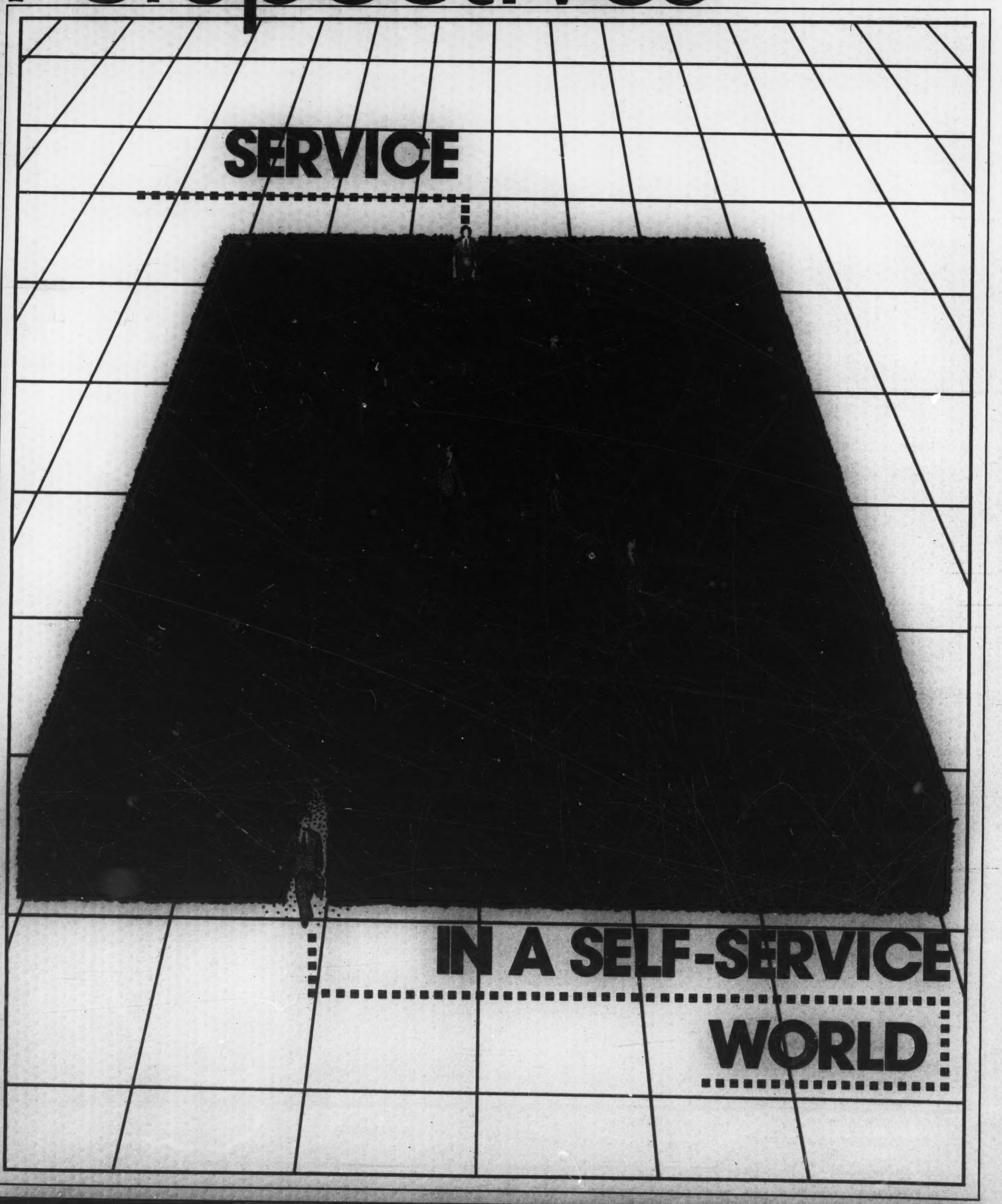
Western and Southern Plywood
Average monthly mill prices
(per thousand board feet)



Panel prices down

Prices of structural panel products dropped during the early spring. Douglas fir half-inch CD Ext 4/5 ply lost $5 from an April average of $187 per thousand square feet to $182 in May. Southern pine half-inch CD Ext. 3 ply dropped $7, from an April high of $179 per thousand square feet to a May low of $172.
The May trading levels represent the fourth consecutive month that structural panel prices have slipped. In February, Douglas fir half-inch CD Ext. 4/5 ply hit a year high of $196 per thousand square feet. During the same month, Southern pine hit $185.

Perspectives



When self-service is strong service image gains 30

Retailers wrestle with how much help is enough 31

Customers balk at being charged extra for service 32

Perspectives

Customers want to shop stores on their own

By an NHCN staff editor

Service remains one of the key issues for home centers, and most chains and independents recognize that to get and keep business in a competitive environment they need to go beyond price cutting and provide that extra element of customer assistance.

The dilemma is that providing service is usually equated with the number of salespeople on the floor, which can become an expensive proposition.

A recent consumer study conducted for *NHCN* by the Chicago market research firm Leo J. Shapiro & Associates, discovered an intriguing paradox: Customer satisfaction with service is a function of the customer's ability to shop a store on his own. Therefore a store that has achieved a superb level of self-service might get higher marks for service than a store that has heavily invested in store personnel.

Home centers do not come close to supermarkets in the self-service environment they provide. And shoppers are more likely to expect assistance in a home center.

Still, in Phoenix, an advanced home center market, 85 percent of home center customers said they were able to shop the store either on their own or by asking for directions.

The study reveals that because shoppers have become accustomed to self-service, failures in a store's self-service system can be costly. A customer who needs to interrupt his shopping to ask how to find certain merchandise is likely to spend less.

On the other hand, there is opportunity for retailers to intervene when the customer needs assistance that the self-service system cannot provide—help in making a buying decision, for example. This kind of assistance can enhance a sale.

Given the delicate balance that needs to be maintained between the self-service system and assistance provided by personnel, the study explores the departments and categories where assistance from store help would be most welcomed.

In fact, developing a store that is 100 percent self-service would be self-defeating, as the interaction between consumer and salesperson remains vital to the ability of home center dealers to make big-ticket sales and cultivate repeat clients.

In addition, the dealers need to ensure that the service at the store's checkout counters is the best it can be, because all the consumer goodwill a store may have built up by striking the right balance of service can go down the drain if it takes forever for the customer to pay for his merchandise.

Service expectations vary with type of store

Self-service is a Way of Life

Type of Store	Percent of Self-shoppers
Discount Dept. Store	92
Dept. Store	78
Sporting Goods Store	64
Furniture Store	37

But Most Retailers Fall Short

Type of Store	Percent of Shoppers Who Say Store's Self-service is Good
Department Store	50
Discount Department Store	46
Sporting Goods Store	46
Hardware Store	33

By an NHCN staff editor

We live in a self-service world, and the concept of self-service has become a way of life for more people.

It probably could be argued that "do-it-yourself" is, in fact, an extension of most people's desire to do things on their own, with the minimum amount of assistance.

Consequently, retail stores have been changing the way they do business to accommodate these urges by consumers. However, the level of service expected at different retail outlets varies almost as much as the merchandise they carry. And where a store offering no service may be right for a supermarket, it clearly wouldn't work for a home center, according to responses from consumers polled nationwide for *NHCN*'s 1987 study of Consumer Attitudes.

Virtually every household questioned said they usually shop a supermarket without any help. And more than nine in 10 said they did the same at discount stores.

More than half said they would shop in a home center without getting assistance, an indication that the promotion of self-service is important for the operation of these stores.

But this last statistic is like the half-full, half-empty glass of water: it all depends how you look at it. Fifty-two percent of those polled ranked service—i.e., the ability to get help when needed—as "important" when they shop a home center.

To quote one shopper, "It's important to have assistance at a home center. People come in and don't always exactly know what they need or need help finding it. They should all have an information booth for people that need assistance to inquire about what they need to know."

Unfortunately, home centers do not appear to be providing an adequate self-service level for their customers. Where a supermarket's self-service is rated highly by more than two-thirds of the study's respondents, home centers could muster the same kudos for self-service from 46 percent. In other words home centers are not making it easy for their stores to be shopped independently for more than half of those participating in the study.

As other research in this study points out, the level of self-service has a direct impact on what a customer is willing to spend in a home center, and on the consumer's perception of that store's overall service level.

(One point to note about hardware stores: Nearly three in five households polled thought service was important in shopping a hardware store, but only a third said these stores provided a strong self-service environment.

("It's not easy to shop on your own in a hardware store," said one respondent. "Only the clerks know where things are."

(The study goes on to show, however, that hardware is not an easy product to shop for, primarily because of the sheer number of stockkeeping units most stores carry. Consequently, the development of a self-service store that also presents a service image to consumers appears to be more complicated for hardware units.)

When self-service is strong service image gains

By an NHCN staff editor

A store projecting a strong self-service shopping image to consumers also, paradoxically, is a store that usually ranks high as a place where customers feel they can get help if they need it.

Creating that self-service environment is crucial, though, because consumers who need to ask where products are or what a DIY job requires are spending less per visit than the mean for consumers nationally, according to findings in *NHCN*'s 1987 Survey of Consumer Attitudes.

The paradox of self service: The less shoppers need to rely on store personnel, the better the level of service is.

When consumers think about self service, two categories—directional and presentational—come to mind most immediately.

Customers want to be able to find where merchandise is located on their own, especially products they've seen advertised. And they want to be able to make their own buying decisions without the assistance of a salesperson.

Consumers are telling home center dealers they need to improve their signage, category identification and layout to develop a self-service environment in their stores. In fact, nearly three in 10 households polled said that "good signs"—essentially a store's road map—are what make it easy for them to shop without service; another quarter of the respondents said that the self-service shopping experience was enhanced when product categories were clearly marked.

Self service, spending linked

Once they find where they are going, consumers evidently want dealers to develop better displays to present product categories in a more useful fashion. A store's self-service image is advanced, said 17 percent of the households queried, when it has "good displays." Another 14 percent thought "complete departments" that were well stocked and had strong POP literature, also helped them shop on their own. One in 10 households said well-marked products and prices did the trick.

Most consumers perceive themselves as self-shoppers. Three out of five shoppers interviewed after they left a home center in the Phoenix market said they shopped entirely on their own; another 25 percent only needed directional assistance to complete their visit to the store.

Consumers there were particularly appreciative of stores that had "everything set up and easy to find. The aisles all have numbers and they have lists next to the numbers saying what is in them" or units where "the aisles are wide and . . . have enough room so the products aren't bunched up so you can find things."

Needless to say, these self-service consumers don't want to be interrupted when they are shopping, and want to be able to go through the stores without approaching a salesperson to find out where something is or what

Total self-service may not be desirable

By an NHCN staff editor

When the self-service system breaks down or when it does not go far enough, shoppers turn to store personnel for assistance.

The kinds of assistance provided by store personnel can be divided into two categories that correspond roughly to the two types of self-service help—directional and presentational.

Store personnel either help shoppers find what they are looking for, which again is directional assistance, or they help shoppers make buying decisions, which is technical assistance.

Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

Broadly speaking, when home center store personnel provide the missing information that the shopper needs to make a buying decision, a form of technical assistance is being provided. The store employee may give the customer information about materials needed for a project, the size product required, the price, amount, color or other aesthetic considerations.

When shoppers need to turn to store help for assistance it generally signals a breakdown in the store's self-service system. But that glitch can be turned into an opportunity.

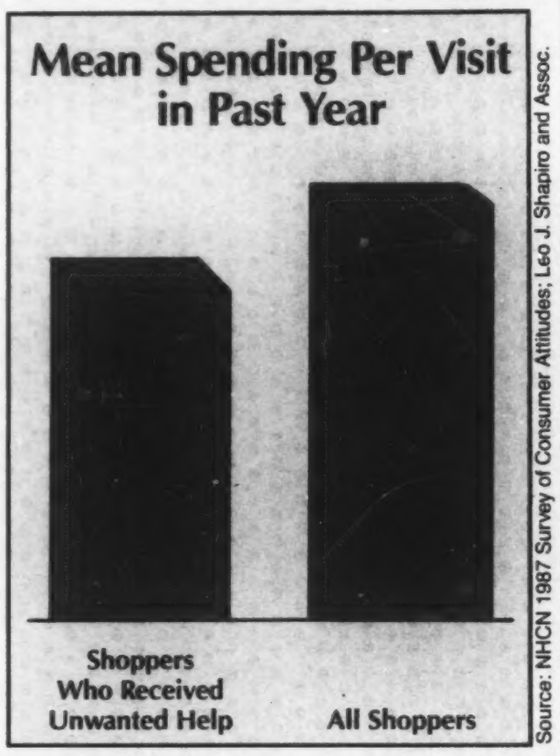
While customers who needed to interrupt their shopping to ask directions spent less per visit than the mean average ticket of $50, customers who received technical help actually spent $59 more per visit. This finding suggests that 100 percent self-service is not desirable. While the annoyed shopper may spend less, the shopper whose technical information needs have been satisfied spends more.

It seems that shopper requests for information, while signaling a failure on the part of the store's self-service system, also represent an opportunity if the direction request leads to technical help.

Interaction between store personnel and shoppers can be productive, but it's not that simple.

Shoppers do not like being intercepted by a sales person when they do not need help.

Compared to the average shopper who spent $50 per visit, the shopper approached by personnel when assistance was not needed spent only $41 per visit.



Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

This finding suggests that retailers need to deploy store personnel strategically in parts of the store where customers have difficulty shopping on their own or where they're looking for ideas.

Personnel need to know when to sell, of course. But they also need to know when not to sell.

Retailers wrestle with how much help is enough

By an NHCN staff editor

A basic assumption of this research is that retailers, to control costs, will develop effective self-service environments to limit the number of employees assigned to the store.

There are serious implications, however, when flaws develop in the self-service system.

Poor directional help and unwanted assistance can depress sales. On the other hand, technical assistance can increase sales. Where does a retailer deploy personnel most effectively?

In allocating sales people to support a self-service environment, home centers need to recognize the areas of the store where shoppers are most likely to have a problem completing a purchase on their own.

Need for help varies by dept.

Among 18 product categories and departments in which home center shoppers rated their ability to shop without assistance, the greatest confidence was in garden supplies and hardware and paint. The least confidence was in heating equipment, windows and doors and insulation.

In general, self-service assistance is most likely to be needed with products and departments that are used in major structural improvements.

Shoppers rated 18 product categories and departments on a nine-point scale, in which a score of nine meant that the customer was sure he could shop without assistance.

Garden supplies rated 6.8, followed by hardware, 6.4 and paint at 6.2. At the other end of the spectrum was heating equipment, 4.6 windows and doors, 4.8 and home insulation, 4.9.

Reasons for assistance vary

It is not enough to know where shoppers are likely to need assistance. For sales personnel to respond effectively, they need to know what kind of assistance is needed.

The kinds of assistance can be organized into three broad types:

- Assistance before a purchase. This has to do with finding out what is available, locating it and learning about brands.
- Assistance in selecting something once the shopper is ready to buy. This has to do with selecting the correct size, color or quality.
- Assistance during and after a purchase. This has to do with special services like cutting lumber and mixing paint as well as loading a customer's car or providing delivery.

In some product categories customers require all three types of assistance. Kitchen cabinets, that can be part of a major home improvement endeavor, would be an instance where shoppers need a lot of help.

Before making a decision they might need information about

(Continued on page 32)

they need for a DIY project.

In fact, when signage is inadequate or merchandise is badly marked, forcing consumers to stop and ask for help, customers wind up spending less in the store during that visit.

The mean expenditures for all shoppers participating in *NHCN's* Consumer Attitudes study was $50; but the average ticket among those who recalled asking store personnel for help was $38.

Helping customers 'dream'

This finding suggests it is critical that home centers help shoppers learn to navigate a store as quickly as possible.

The study also found that the greatest challenge facing dealers was in properly presenting merchandise to their customers.

Product presentation helps customers decide what they need and determine how much something costs on their own. For instance, one consumer surveyed praised a store's garden department by describing it as "plainly marked so you don't need to ask people much." Correct presentations also augment a store's aesthetic image and can highlight product features for the customer.

The Paradox of Self Service

The stronger the product presentation, the more likely it will be that customers can not only shop on their own, but can also discover new ideas for improving their homes, thereby satisfying the emotional need of a shopper to fulfill a home remodeling dream.

This year's Consumer Attitudes Study tested consumer preference for self service in 18 home center departments.

It found that a store's perceived level of service was much higher when its self-service machinery—in the form of good signage and helpful displays—was operating on all cylinders, and gave consumers the *confidence* to shop on their own.

The less shoppers need to rely on store personnel, then, the better they believe the level of service is. For example, 100 percent of those customers who said they were confident enough to shop on their own in all departments identified the home center they shopped as being a good place to get DIY advice.

As the confidence level declines, so does the service perception of the store. Eighty-eight percent of those consumers confident in shopping some departments saw the home center as a place to get help; the total drops to 80 percent among shoppers with no confidence shopping any departments.

Looking at this another way, nearly nine out of 10 shoppers who gave a home center a high rating for self service believed that same store had good service. Only three in four consumers giving a home center poor marks for self service thought the store was a good place to seek advice.

Dealers may conclude from the study, then, that attempts to improve service simply by increasing their manpower on the sales floor may by making a mistake.

Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

Survey polled 800 homes nationwide

By an NHCN staff editor

"Service in a self-service world," conducted for *NHCN* by Leo J. Shapiro & Associates, consisted of telephone interviews with 800 households nationwide in February and March 1987. The interviewees, divided equally between the "man" and "woman" of the household.

In addition 139 interviews were conducted in person during March with shoppers exiting Payless Cashways, O'Malley Lumber, The Home Depot and Ole's in Phoenix.

Phoenix was chosen as the market for the study because of its advanced development for home center retailing. These exit interviews are done to test whether consumer attitudes towards service shifted immediately after shopping.

The telephone interviews lasted an average of 32 minutes, and explored the respondents' attitudes towards services in all retail environments, including home centers. Those polled who had shopped home centers regularly over the previous year were then interviewed extensively about the strengths and weaknesses of these stores' service offering.

Perspectives

cover story

Stores wrestle with how much help is enough

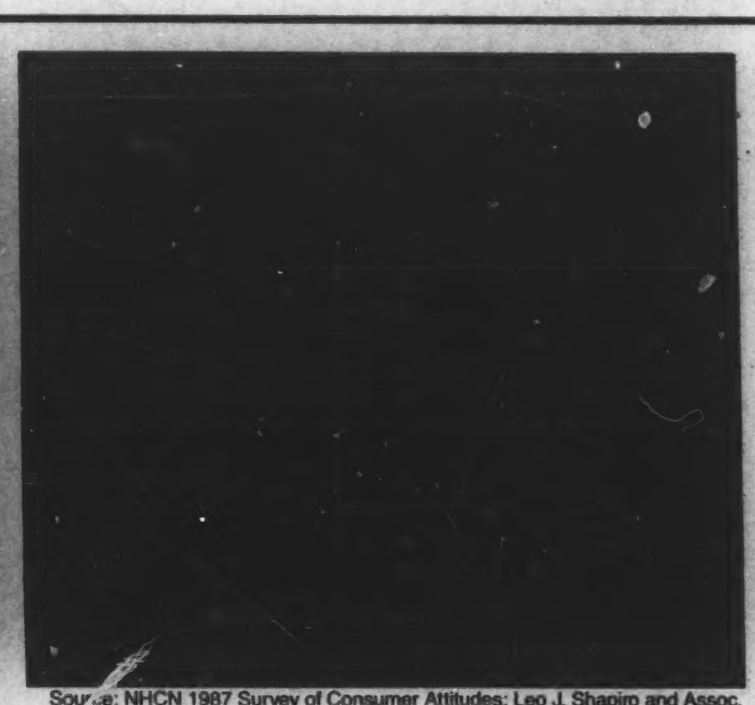
(Continued from page 31)

brands and warranties. Once ready to buy selecting sizes and learning about quality would be important. To complete a purchase customers would need delivery information.

At the other extreme are garden supplies. Shoppers feel confident about buying this merchandise. The question often asked is simply, "How much do I need?"

Hardware is an interesting category in terms of customer need for assistance. Customers are confident about shopping for hardware but it is the one instance where customers overwhelmingly say they need help finding an item.

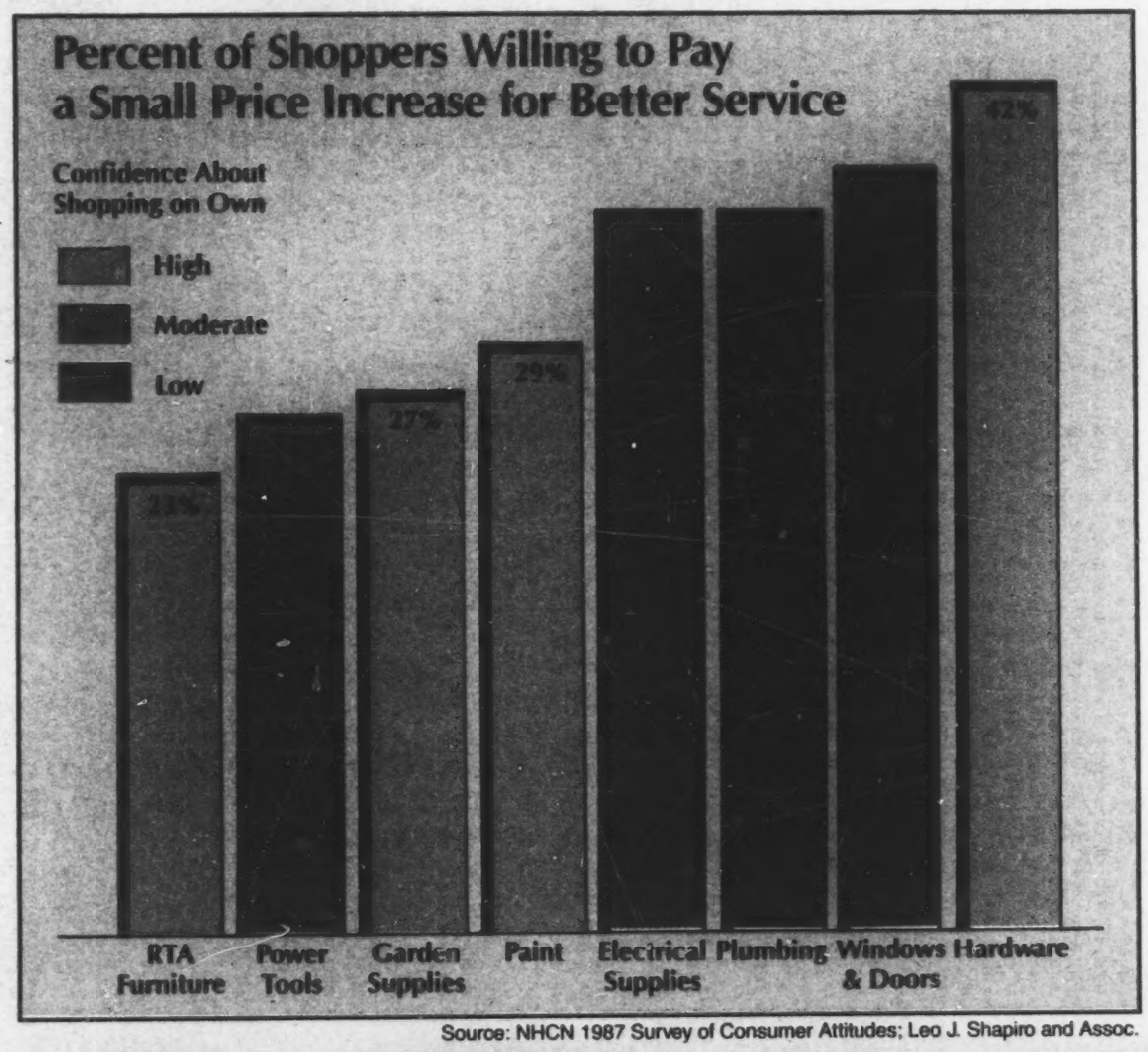
It seems that because there are often so many different stockkeeping units in hardware, customers find it difficult to find what they need.



Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

This is probably a department where better presentations would help the shopper to work the store on his own, since finding merchandise seems to be the main problem.

In some categories, like electricals, plumbing and heating, shoppers are especially insecure and may have numerous questions to ask before they even begin to shop.



Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

Customers balk at being charged extra for service

By an NHCN staff editor

Customers see service as their right. They enter a store assuming its self-service system is going to work. When consumers hit a snag, it is seen as a mistake by store management for which they do not want to pay. In fact, 62 percent of customers said they were unwilling to pay more for service.

There is no department in which a majority of shoppers would be willing to pay for service. Retailers run a risk if they charge for service since shoppers will resist such a levy.

If retailers insist on charging for service, the risk is usually less in departments where shopper insecurity is high. For example, only 23 percent of shoppers said they would be willing to pay for service when purchasing ready-to-assemble furniture. Shoppers are confident that they can complete that purchase without assistance.

On the other hand, 38 percent said they would pay for service when buying windows and doors, categories where shopper confidence is low.

The one striking inconsistency is that more than two in five shoppers—a higher ratio than for any other category—are willing to pay extra for help when purchasing hardware. Yet shopper confidence is high when it comes to buying hardware.

The dilemma seems to come down to this: A hardware purchase is usually straightforward. It is not automatically tied to a major structural home improvement so shopper confidence is relatively high. But in reality, shopping for hardware is difficult. It is a category with a lot of miscellaneous stockkeeping units that often make it difficult for the shopper to locate what he needs.

Proper tools aid self-service environment

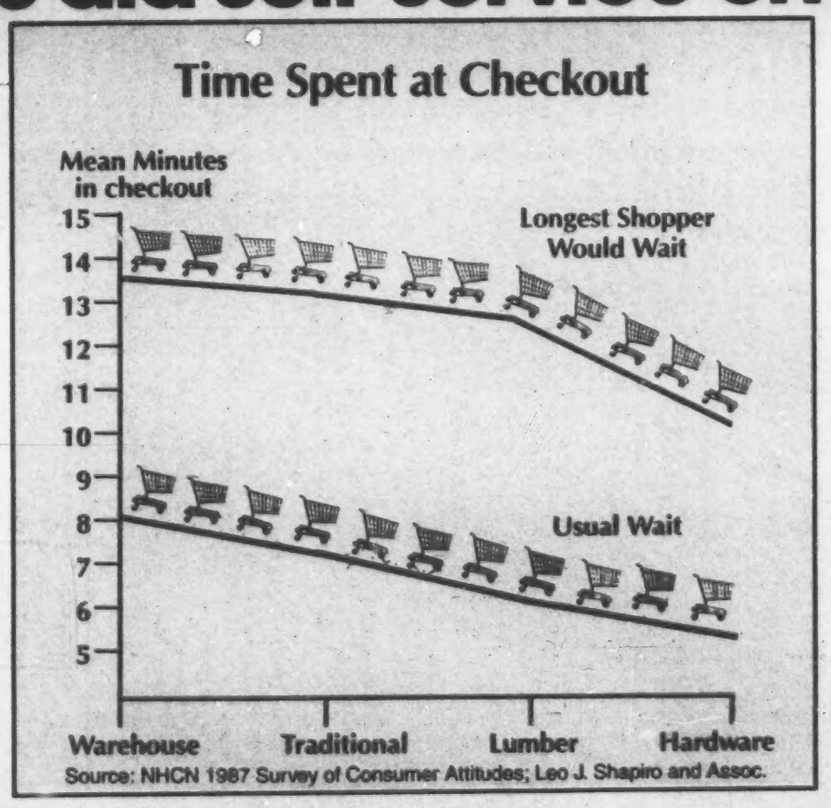
By an NHCN staff editor

Shoppers understand that in a self-service environment they are doing the work, including moving bulky merchandise through the store. Although they accept this condition they expect that proper tools and equipment, like carts, will be provided.

They also expect help with tasks that they cannot perform themselves, like mixing paint and cutting lumber.

On the other hand, shoppers do not assume that delivery will be provided. This distinction seems to hold: While in the store shoppers expect certain services to be provided as their right. Delivery is not seen in the same light. It occurs when shopping is completed and therefore is not considered among the things retailers provide to make shopping easier. In fact, 65 percent of shoppers said that delivery did not make a difference.

Since delivery is not considered a right, retailers risk less if they charge for this service. Further, shoppers were split about whether they would expect to pay for delivery. And the 50 percent who said they would expect to pay tend to be core customers who visit stores more frequently and spend more. So in charging for delivery retailers are less likely to risk alienating core customers.



Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

Checkout experience important

Checkout is another place where retailers need to be careful about what customers view as their right to service.

Checkout is touchy because for most shoppers it is the only time when they are dependent on the store for assistance. In fact, checkout blocks the majority of shoppers from completing their shopping entirely on their own.

Since it is the one time during a shopping visit that the customer must interact with store personnel, it could be argued that customer satisfaction with a store's checkout should be greater than customer satisfaction with a store's self-service performance overall. It is not.

While 58 percent of shoppers rated self-service at their favorite store as good, only 40 percent rated checkout as good.

Shoppers were asked to use a rating system of 0 to 100. Good was considered any score between 60 and 89.

Overall, the mean rating for self-service overall was 78, while the checkout rating was 73.

The average time shoppers expect to spend at checkout is 7.5 minutes. The longest they are willing to wait is 12.7 minutes. They generally expect to wait an additional half a minute at a warehouse store.

DIYers need help from start to finish

Once a retailer spends money and effort providing shoppers with directional, presentational and technical help, how does he know that the shoppers will not take the information and run—to a competitor?

The retailer does not know for sure. But only 13 percent of home center shoppers can recall any occasion where they used advice gotten from a home center to assist them in making a purchase from another store.

There is no reason to be defensive about supplying customers with help. The same customer may act differently when buying home electronics; one who pumps a full-line retailer for information about the latest in stereo equipment and then buys at the nearest off-price outlet.

Such service ripoffs seem more likely in the world of Crazy Eddie than Handy Andy, though. The nature of the home center business seems to require a different shopping attitude. DIY customers need help from the employee when they start the project. And half way through, need to know they can return and get more.

ADVERTISING & MARKETING

Norton promotions leave room for dealer changes

By an NHCN staff editor

WORCESTER, Mass. — Norton, the sandpaper manufacturer, launched a novel promotion this spring called "Dealer's Choice." It allows the dealer to customize Norton's promotions to meet his market needs.

Norton not only gives wholesalers and retailers a choice of 10 different promotions but also leaves the timing entirely up to the dealer.

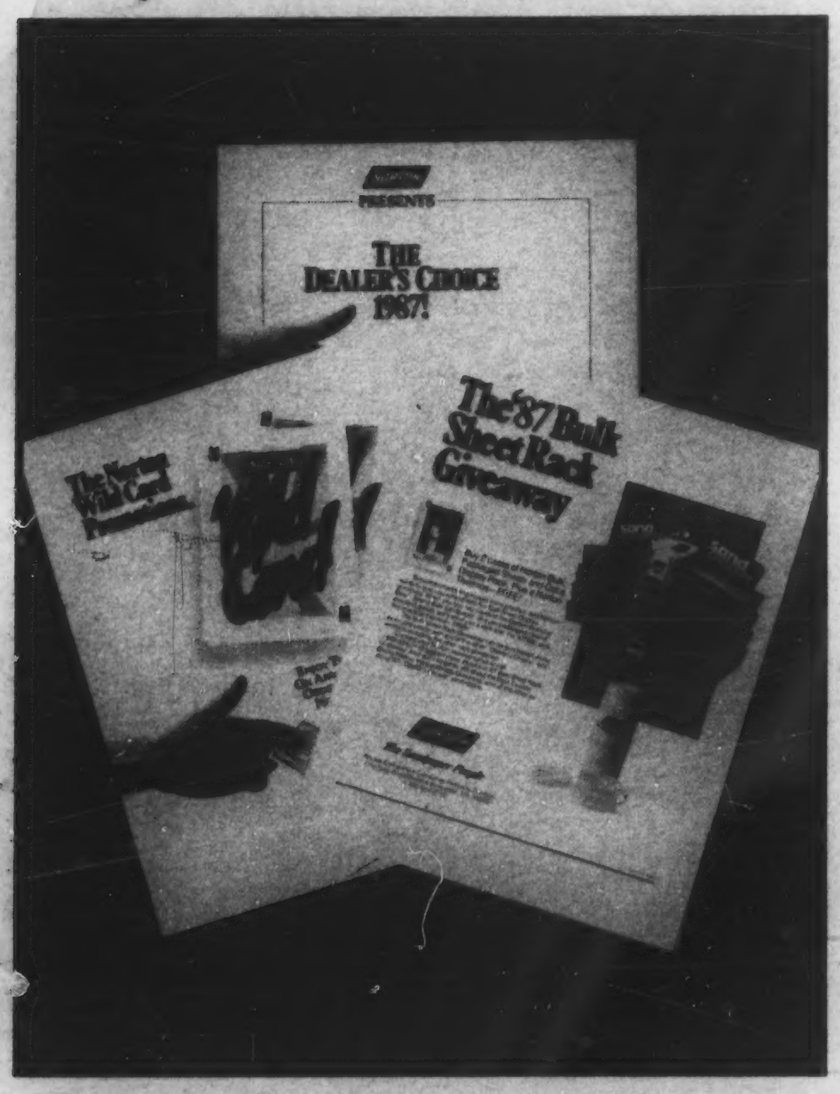
Dealers Choice was put together in response to research conducted by the company among wholesalers and retailers from the hardware, home center, discount and mass merchant fields. A total of 235 dealers answered questions on what features prompted them to participate in promotion and what they thought motivated customers to participate.

Although respondents agreed that manufacturers' promotions increased their business from existing customers and attracted new customers, they differed over what they thought to be the most important features of any promotion.

Overall 58 percent found discounted price to be the most important feature; 16 percent wanted to choose what time of year they would run the promotion; 12 percent wanted the dating extended; and eight percent wanted more variety in the promotions.

As far as motivating distributors' salespeople to run the promotion, more than half of those surveyed thought that price discounts were the best method while nearly two in five cited cash spiffs.

Dealers weighed cash rebates and premium offers at discounted prices as equally important in motivating consumers. But many disliked the paper work involved in rebates.



Norton followed up its research findings by launching Dealers Choice this spring. The promotion offers incentives to both consumer and contractor customers as well as giving the retailer a variety of free gifts and bonuses. It allows dealers to chose any or all of the 10 promotions offered with no minimum required.

Introduces new products

Norton also used the promotion as an opportunity to introduce some new products and packaging ideas.

The company introduced its new dry-wall sanding products to the consumer with a free putty tool attached to the packet. For contractors it introduced a new 25-sheet package of all-purpose sandpaper, with a free commuter cup for buying one pack; a six-pack cooler for buying five; and a five-inch lockblade knife for buying 10.

For the dealer Norton offered promotions with a five percent discounted price on products for any two-month period of the year.

It also made available a number of free merchandisers with bulk purchases as well as a variety of personal gifts including an AM/FM stereo radio with headphones.

Ad Budgets

Chart shows ad budgets of some major home center companies in 1986 and 1985. Also shows ad budgets as a percent of the year's sales. Dollar figures in millions.

	1986 Ad budget	As % of sales	1985 Ad budget	As % of sales
K Mart	$581.0	2.4%	$554.0	2.4%
Zayre	125.0	2.3	99.0	2.4
Payless	37.6	2.5	35.0	2.4
Lowe's	34.5	1.5	26.2	1.2
Grossman's	29.4	2.9	26.6	3.0
Home Depot	24.6	2.4	22.5	3.2
Ace Hardware	24.3	2.2	22.4	2.2
Hechinger	17.4	3.5	14.2	3.5
American Hardware*	17.2	2.0	16.2	2.4
Pay 'N Pak	12.7	3.8	10.4	3.4
Standard Brands	11.5	3.5	13.4	3.9
Scotty's	9.1	1.9	8.5	1.9

*For fiscal years 1987 and 1986, both ended June 30. Source: The companies

Growth in ad budgets doesn't keep pace with sales increases

By an NHCN staff editor

NATIONAL REPORT — Advertising budgets as a percentage of sales either dropped or were flat last year for 11 of 14 publicly held home improvement companies, according to annual reports and information filed with the Securities and Exchange Commission.

Though most of the companies spent more on advertising in 1986 than 1985, their sales also rose across the board.

Consequently, The Home Depot, whose sales grew 44 percent last year, saw its ad budget of $24,617,000 equal only 2.4 percent of its volume, compared to 3.2 percent of 1985 volume with expenditures of 22,550,000.

National Lumber, the Fountain Valley, Calif., operation, saw its advertising budget (net of co-op rebates) drop to 4.5 percent of sales last year, from 5 percent in 1985. National Lumber's dollar spending also declined to $6,783,000 from $6,693,000, while its sales rose to $150,027,699 from $135,866,006. Over this period, the chain suffered a $2,421,000 net loss, compared to a loss of $154,000 in '85.

Sales down at Standard

Both sales and advertising expenditures were down at Standard Brands. The advertising budget dropped by four-tenths of a percentage point, and sales declined from $337.9 million to $326.6.

William Nickel, Standard's vp-communications, blames the sales decline on stiff competition. And he says that "proportionally, to increase sales, it wouldn't have been cost effective," to maintain or increase ad spending.

To cut spending, Standard reduced its circular distribution, "shaved a little bit off the size of our ads," and cut back slightly on its ROP advertising, Nickel said.

On the spending side, Pay 'N Pak, showed the biggest percentage increase in its advertising budget as a percentage of sales: 0.4 percent.

Lowe's was up three-tenths of a percentage point.

"We haven't made any dramatic changes in [advertising] philosophy," said Ralph Buchan, Lowe's vp-advertising.

Spending flat at Scotty's

He notes that most of Lowe's advertising is geared toward the consumer side, which represents 55 percent of the chain's business. When advertising spending is compared to retail sales for 1986, it represents 2.7 percent of total retail sales, compared to 2.4 percent of sales in 1985.

"As retail becomes a bigger percentage of our business," says Buchan, "we'll have to consider how to get the most for our ad dollars."

At Scotty's, ad spending was flat as a percentage of sales. Bob Fant, director of advertising said that in 1986 Scotty's opened stores in existing markets, enabling the company to advertise more stores for the same money.

Fant says Scotty's is also "doing a better job of collecting co-op dollars," and plans its advertising in advance to keep costs down.

"We don't really spend on the spur of the moment," Fant says.

Overall in 1986, home centers spent 2.3 percent of sales on advertising, according to a survey conducted by *Chain Store Age Executive*, a monthly business magazine. That percentage was expected to jump to 2.6 of sales this year.

Despite the trend toward TV and radio, print continued to represent the largest chunk of retailers' budgets.

"When you've got a variety of products," says Buchan, "print media is the best way to display them."

B & D planning new promotions to push line of pro power tools

By Milford Prewitt
NHCN staff editor

HUNT VALLEY, Md. — Black & Decker is formulating a new promotion and distribution campaign that will remind builders and remodelers that the firm makes professional power tools.

Concerned by a frequent misperception that B&D only makes consumer-level power tools and disturbed by the market penetration of Makita and others, B&D intends to put together a program to advance the image of its "black" line of tools to professionals.

The first step entails making improvements in distribution and aiming some of its marketing programs to professional remodelers and builders, according to Mike Convey, vp-sales.

The company's advertising director, Lynda Chambers, was reluctant to discuss the new program until plans are complete. But Convey was more forthcoming in outlining the distribution and broader marketing problems B&D has encountered.

He said the company had spent six months examining its posture in the professional market, reaching the dismal conclusion that it has little presence with distributors who move professional power tools.

The answer, Convey suggested, is in better-directed advertising in both trade and consumer markets.

"What has happened is that we have, unfortunately, for as long as I can remember, never had a presence in the lumber and building supply end of the distribution for residential construction and the remodeler," Convey said. "They have not known that B&D has a grade of tool that they would be interested in buying.

"That's how Makita and others have been able to get in the market and develop a chain of distribution where we were weak or nonexistent."

Convey said retailers also shared in the misperception and they, too, will be targeted with promotions to change their thinking.

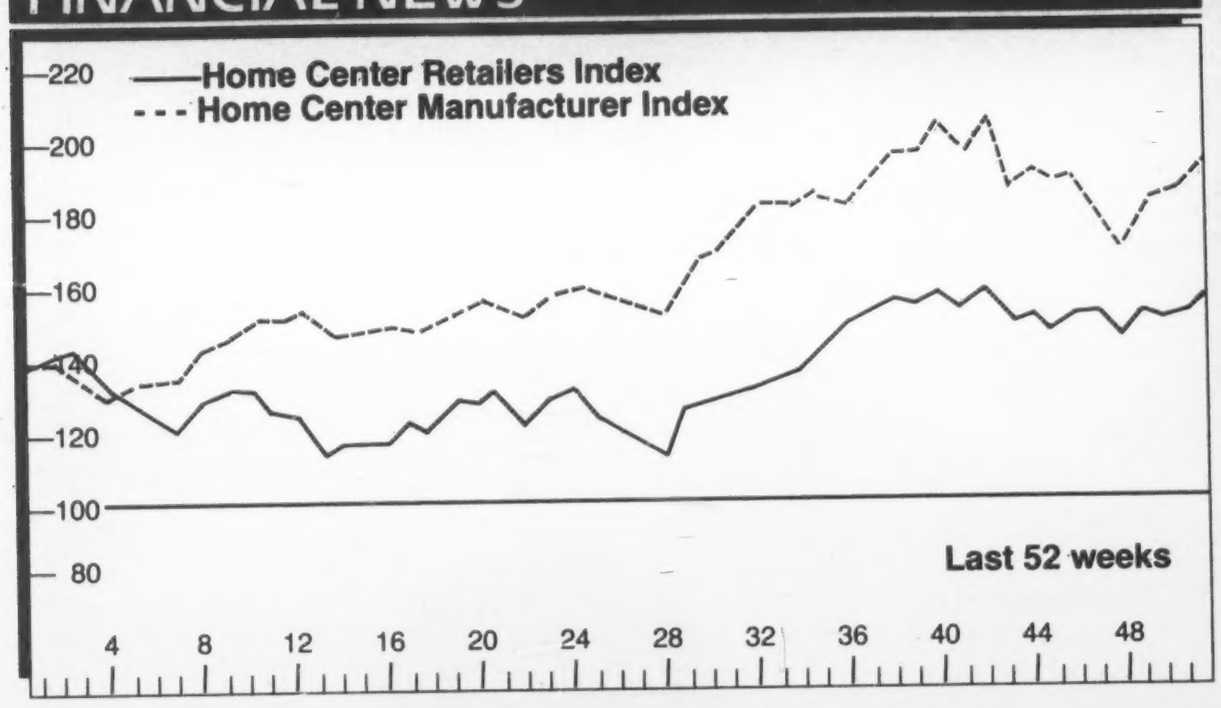
"People that could sell contractors and are tied into distribution networks have perceived B&D a consumer line of tools, so they carry it as their opening price or maybe their first step-up power tool," Convey said. "But then they carry somebody else's lines for the professional power tools.

B&D is not expected to alter its approach with consumers, which remains competitive, Convey indicated.

He said Black and Decker's absence from the pro lines was surprising given that consumers are quite familiar with the company name and given that in the industrial tool and fastening markets, B&D's presence is formidable.

The first signs of B&D's new approach to the professional power tool market may begin this fall.

FINANCIAL NEWS

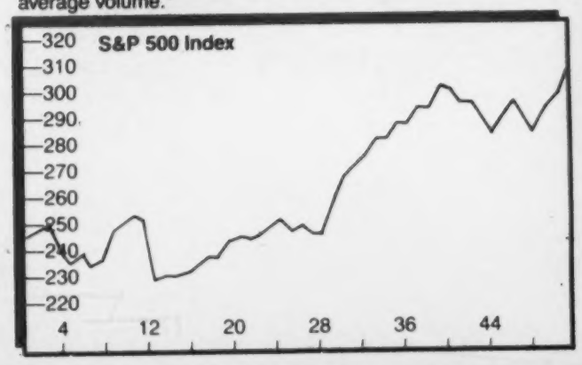


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
6-26-87	(100)	%	%
Moore Handley M	1,733	439.1	9.7
Am Consum Prods M	1,354	409.4	- 2.3
Clairson Intl M	3,852	376.1	- 7.2
Manville Cp N	47,851	351.1	- 6.1
PPG Inds N	49,621	274.8	17.6
Am Woodmark M	1,058	250.0	3.5
Mor-Flo Inds M	437	205.3	- 3.1
Waxman Ind M	1,349	182.2	3.8
Hechinger B M	1,811	182.1	2.2
Payless Cash N	16,771	178.2	10.5

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 6-26	2-Week Price Change	Total 2-Week Volume
6-26-87	$	%	(100)
PPG Inds N	48.50	17.6	49,621
Payless Cash N	23.75	10.5	16,771
Moore Handley M	8.50	9.7	1,733
Pottatch Cp N	33.38	7.7	8,980
Emhart Corp N	45.25	7.4	3,684
Triangle Ind N	36.13	6.3	9,440
Macmillan Bloedel M	19.50	6.1	17,671
Sherwin-Wms N	35.75	5.5	6,957
Cooper Indus N	60.63	5.0	12,981
INTERCO Inc N	46.63	4.8	17,218
Losers	$	%	(100)
Pope & Talbot N	21.00	- 9.2	2,461
Owens Corn N	23.38	- 7.4	20,124
Clairson Intl M	16.00	- 7.2	3,852
Manville Cp N	3.88	- 6.1	47,851
Masco Corp N	34.63	- 5.5	21,472
Home Depot N	33.75	- 4.9	15,547
Natl Lumber M	5.00	- 4.8	334
Mor-Flo Inds M	11.75	- 3.1	437
Zayre Corp N	28.00	- 3.0	50,930
Weyerhaeuser N	50.88	- 2.4	41,735

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 6-26-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Grossman's Inc M	9.38	- .13	- 1.3	9.75	9.00	11.25	6.75	1,623	.81	.41	97.6	NE	.00	.0	.....	3 mos.	03-87
Hechinger A M	23.25	.50	2.2	24.25	22.75	24.25	16.00	6,445	5.90	2.89	104.2	NA	.16	.7	.....		00-00
Hechinger B M	23.50	.50	2.2	24.75	23.00	24.75	16.25	1,811	1.10	.39	182.1	23.5	.06	.3	.....	3 mos.	04-87
Home Depot N	33.75	- 1.75	- 4.9	37.00	33.63	37.00	15.88	15,547	5.59	3.02	85.1	29.9	.02	.1	.....	3 mos.	04-87
INTERCO Inc N	46.63	2.13	4.8	48.00	43.75	48.00	36.63	17,218	6.03	2.31	161.0	14.2	1.60	3.4	NEW	3 mos.	05-87
K mart Cp N	43.38	.38	.9	45.25	43.00	45.34	28.84	65,788	3.29	1.74	89.1	14.1	1.16	2.7	.....	3 mos.	04-87
Lowe's Cos N	27.38	.75	2.8	28.13	26.50	36.25	22.50	12,252	3.09	1.54	100.6	19.1	.44	1.6	.....	3 mos.	04-87
Natl Hardgoods M	7.63	.13	1.7	7.63	7.50	10.00	6.88	144	1.17	1.20	- 2.5	10.9	.00a	.0	NEW	3 mos.	04-87
Natl Lumber M	5.00	- .25	- 4.8	5.75	5.00	7.50	4.00	334	.59	.46	28.3	NE	.00	.0	.....	*	04-87
Pay n Pak N	20.88	- .13	- .6	21.13	20.75	21.38	9.50	2,750	2.75	4.61	- 40.3	26.8	.40	1.9	NEW	3 mos.	05-87
Payless Cash N	23.75	2.25	10.5	24.38	21.63	26.88	15.88	16,771	4.84	1.74	178.2	18.7	.16	.7	NEW	6 mos.	05-87
Scotty's Inc N	13.75	.38	2.8	14.25	13.38	17.25	12.00	1,101	.76	.63	20.6	18.6	.52	3.8	.....	9 mos.	03-87
Sears, Roebuck N	51.88	.63	1.2	53.25	50.75	56.00	39.00	79,935	2.14	1.22	75.4	13.5	2.00	3.9	.....	3 mos.	03-87
Std Brd Pnt N	23.63	.88	3.8	25.00	23.00	27.00	19.38	3,515	3.13	1.48	111.5	17.8	.60	2.5	.....	fiscal	01-87
Strober Organiz M	12.38	.13	1.0	12.75	12.00	15.25	10.50	1,341	2.24	.81	176.5	13.6	.00	.0	.....	3 mos.	03-87
Supermkts Gen N	39.50	.75	1.9	39.75	38.63	46.75	22.50	5,769	1.50	5.91	- 74.6	25.8	.28	.7	.....	3 mos.	04-87
Wickes Cos A	4.50	.00	.0	5.00	4.25	6.13	3.13	106,970	4.51	2.29	96.9	7.5	.00	.0	.....	3 mos.	04-87
Wolohan Lumber M	14.75	.25	1.7	14.75	14.25	15.00	7.50	892	1.52	1.64	- 7.3	13.4	.20	1.4	.....	3 mos.	03-87
Zayre Corp N	28.00	- .88	- 3.0	29.63	27.50	43.88	20.75	50,930	8.63	3.57	141.7	17.2	.40	1.4	.....	3 mos.	04-87
Wholesalers																	
Hughes Supply N	26.63	- .25	- .9	27.00	26.38	28.38	20.63	462	1.40	1.01	38.6	12.4	.40	1.5	.....	3 mos.	04-87
Moore Handley M	8.50	.75	9.7	8.50	7.63	15.88	6.75	1,733	6.90	1.28	439.1	18.9	.00	.0	.....	3 mos.	03-87
Lewis Palmer M	8.75	- .13	- 1.4	8.88	8.25	9.88	7.25	873	2.18	1.67	30.5	21.9	.28	3.2	.....	3 mos.	04-87
Stanline Inc M	11.25	.00	.0	11.50	11.00	12.75	7.84	747	4.40	1.73	154.3	10.6	.32b	2.8	.....	6 mos.	04-87
Manufacturers																	
Am Consum Prods M	10.50	.25	2.3	10.88	10.50	11.00	8.50	1,354	7.03	1.38	409.4	15.9	.00	.0	.....	3 mos.	03-87
Am Standard N	42.00	.50	1.2	44.00	40.88	51.88	36.00	5,540	1.67	.83	101.2	9.1	1.80	4.3	.....	3 mos.	03-87
Am Woodmark M	14.88	.50	3.5	15.13	14.38	17.13	10.00	1,058	1.54	.44	250.0	14.7	.00	.0	.....	fiscal	04-87
Armstrng Wrld N	37.25	- .50	- 1.3	39.88	36.75	44.00	24.88	12,845	2.70	1.40	92.9	13.6	.90	2.4	.....	3 mos.	03-87
Black & Decker N	23.50	.63	2.7	24.25	22.50	34.25	14.50	24,489	4.22	3.05	38.4	39.2	.40	1.7	.....	6 mos.	03-87
Boise Cascade N	74.75	3.00	4.2	75.75	71.13	86.88	51.50	11,780	4.04	2.49	62.2	19.7	1.90	2.5	.....	3 mos.	03-87
Certain-teed N	41.00	- .50	- 1.2	41.25	39.50	41.88	24.63	2,012	1.06	.66	60.6	12.7	1.00	2.4	.....	3 mos.	03-87
Champ Intl N	37.38	1.00	2.7	38.00	35.63	43.50	22.50	31,024	3.30	2.46	34.1	15.1	.64	1.7	.....	3 mos.	03-87
Clairson Intl M	16.00	- 1.25	- 7.2	18.25	15.75	18.25	10.25	3,852	7.57	1.59	376.1	33.3	.00	.0	.....	6 mos.	03-87
Cooper Indus N	60.63	2.88	5.0	62.25	57.00	62.25	35.63	12,981	2.68	1.34	100.0	19.7	1.68	2.8	.....	3 mos.	03-87
DeSoto Inc N	38.50	- .75	- 1.9	40.13	38.25	43.75	34.25	448	1.14	.78	50.0	46.5	1.40	3.5	.....	3 mos.	03-87
Emhart Corp N	45.25	3.13	7.4	45.75	42.00	45.75	30.75	3,684	1.19	.78	56.6	NE	1.40	3.1	.....	3 mos.	03-87
Georgia-Pacific N	46.13	1.25	2.8	47.63	44.88	52.75	29.00	39,009	3.63	2.45	48.2	14.6	1.00	2.2	.....	3 mos.	03-87
Insilco Corp N	22.75	.75	3.4	23.00	22.00	26.25	17.38	2,889	1.20	1.03	25.2	14.0	1.00b	4.4	.....	3 mos.	03-87
La Pacific N	31.75	.38	1.2	32.50	30.38	38.63	22.00	13,283	3.50	1.92	82.3	14.7	.90b	2.5	.....	3 mos.	03-87
Macmillan Bloedel M	19.50	1.13	6.1	19.63	18.13	22.38	8.25	17,671	1.74	1.15	51.3	NA	.42	NA	.....	3 mos.	03-87
Manville Cp N	3.88	- .25	- 6.1	5.38	3.75	5.38	1.63	47,851	19.94	4.42	351.1	1.1	.00	.0	.....	3 mos.	03-87
Masco Corp N	34.63	- 2.00	- 5.5	37.38	34.50	40.88	23.50	21,472	1.66	.94	76.6	21.2	.36	1.0	.....	3 mos.	03-87
Mor-Flo Inds M	11.75	- .38	- 3.1	12.25	11.50	16.50	11.75	437	1.74	.57	205.3	40.5	.01	.1	.....	3 mos.	03-87
Newell Co N	36.63	.63	1.7	37.50	36.00	39.75	24.00	1,638	1.43	.78	83.3	16.4	.84	2.3	.....	3 mos.	03-87
Norton Inc N	14.25	.13	.9	14.75	14.00	17.88	11.75	4,070	2.49	.97	156.7	8.6	.10	.7	.....	3 mos.	03-87
Owens Corn N	23.38	- 1.88	- 7.4	25.38	23.00	32.38	8.88	20,124	5.37	3.31	62.2	NA	.00	.0	.....		00-00
Ply-Gem A	16.38	- .13	- .8	16.63	15.63	18.13	10.00	1,728	2.15	.97	121.6	17.2	.12	.7	.....	3 mos.	03-87
Pope & Talbot N	21.00	- 2.13	- 9.2	24.50	20.50	24.50	8.88	2,461	2.05	1.79	14.5	10.9	.44	2.1	.....	3 mos.	03-87
Pottatch Cp N	33.88	2.38	7.7	34.50	30.25	41.88	24.00	8,980	3.38	1.43	136.4	12.8	.84	2.5	.....	3 mos.	03-87
PPG Inds N	48.50	7.25	17.6	53.50	41.13	53.50	29.63	49,621	4.16	1.11	274.8	17.3	1.08	2.2	.....	3 mos.	03-87
Sherwin-Wms N	35.75	1.88	5.5	35.88	33.75	38.50	22.75	6,957	1.54	.88	75.0	15.3	.56	1.6	.....	3 mos.	03-87
Stanley Works N	34.25	1.13	3.4	35.88	33.00	35.88	23.19	5,139	1.21	.64	89.1	17.6	.76	2.2	.....	3 mos.	03-87
Thos Inds N	19.63	.13	.6	19.88	18.50	22.63	15.50	793	.80	.42	90.5	14.6	.68b	3.5	.....	3 mos.	03-87
Triangle Ind N	36.13	2.13	6.3	36.25	33.75	39.75	21.13	9,440	5.54	2.35	135.7	13.5	.12	.3	.....	3 mos.	03-87
Union Camp N	41.88	1.44	3.6	43.50	40.13	48.13	38.64	17,302	2.38	1.53	55.6	26.2	1.16	2.8	.....	3 mos.	03-87
USG Corp N	37.13	1.38	3.8	38.25	35.63	46.50	31.00	11,878	2.27	1.07	112.1	8.6	1.12	3.0	.....	3 mos.	03-87
Weiler, Jim N	53.13	1.38	2.7	55.50	52.75	62.25	40.38	11,224	3.56	1.71	107.0	12.2	1.40	2.6	NEW	9 mos.	06-87
Waxman Ind M	10.25	.38	3.8	10.25	10.00	13.25	6.34	1,349	2.06	.73	182.2	21.8	.08	.8	.....	9 mos.	03-87
Weyerhaeuser N	50.88	- 1.25	- 2.4	53.00	49.88	60.00	30.50	41,735	3.09	1.79	81.2	21.6	1.30	2.6	.....	3 mos.	03-87

Company and Market	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers												
Grossman's Inc M	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot N	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc N	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp N	5594.4	7.3	115.5	26.1	.57	21.3	5594.4	7.3	115.5	26.1	.57	21.3
Lowe's Cos N	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Natl Hardgoods M	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Natl Lumber M	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak N	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash N	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc N	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck N	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Std Brd Pnt N	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Strober Organiz M	21.3		1.0		.17		21.3		1.0		.17	
Supermkts Gen N	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes Cos A	1540.4	54.8	82.7	426.8	.34	1600.0	1540.4	54.8	82.7	426.8	.34	1600.0
Wolohan Lumber M	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp N	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers												
Hughes Supply N	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4
Moore Handley M	23.6	15.7	.3	.0	.14	- 30.0	23.6	15.7	.3	.0	.14	- 30.0
Lewis Palmer M	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanline Inc M	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers												
Am Consum Prods M	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard N	779.7	15.3	21.6	- 57.0	.65	- 50.0	779.7	15.3	21.6	- 57.0	.65	- 50.0
Am Woodmark M	29.3	20.1	1.5	25.0	.22	- 4.3	115.8	18.9	6.8	51.1	1.01	12.2
Armstrng Wrld N	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6
Black & Decker N	438.7	5.7	9.2	475.0	.16	700.0	967.7	3.3	31.6	40.4	.54	25.6
Boise Cascade N	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed N	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl N	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
Clairson Intl M	18.9	33.1	.8	60.0	.17	30.8	35.2	23.9	1.0	11.1	.22	- 12.0
Cooper Indus N	800.5	- 7.6	27.6	7.0	.56	5.7	800.5	- 7.6	27.6	7.0	.56	5.7
DeSoto Inc N	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Emhart Corp N	602.6	18.2	28.0	46.6	.90	32.4	602.6	18.2	28.0	46.6	.90	32.4
Georgia-Pacific N	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Insilco Corp N	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific N	422.9	31.1	18.3	1084.3	.43	975.0	422.9	31.1	18.3	1084.3	.43	975.0
Macmillan Bloedel M	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp N	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp N	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0
Mor-Flo Inds M	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co N	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Norton Inc N	290.4	77.7	9.2	- 5.2	.57	- 40.0	290.4	77.7	9.2	- 5.2	.57	- 40.0
Owens Corn N	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot N	100.3	35.4	6.7	NE	.55	NE	100.3	35.4	6.7	NE	.55	NE
Pottatch Cp N	248.6	6.6	17.8	30.9	.63	31.3	248.6	6.6	17.8	30.9	.63	31.3
PPG Inds N	1260.8	10.9	86.9	25.6	.73	23.7	1260.8	10.9	86.9	25.6	.73	23.7
Sherwin-Wms N	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works N	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds N	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
Triangle Ind N	912.2	88.5	6.3	96.9	.20	100.0	912.2	88.5	6.3	96.9	.20	100.0
Union Camp N	537.0	8.5	44.2	100.9	.80	100.0	537.0	8.5	44.2	100.9	.80	100.0
USG Corp N	693.2	11.4	85.0	84.4	1.65	103.7	693.2	11.4	85.0	84.4	1.65	103.7
Weiler, Jim N	610.4	- 2.6	46.7	21.3	.74	- 54.3	1719.8	.8	112.6	27.2	2.77	- 8.9
Waxman Ind M	NC	NC	(.6)	- 100.0	(.19)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser N	1617.3	23.8	101.9	103.8	.75	141.9	1617.3	23.8	101.9	103.8	.75	141.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
.a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Markets
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services, Inc., Richmond, Va. 23219

New co-op for dealers pushes marketing to builders

(Continued from page 1)

"We had to find a way to maintain a stronger relationship with the independent building supplier," he said.

So in January, MATCO formed a corporation, known as National Building Centers here, that would be a co-op for lumber dealers, a la Builder Marts of America or Lumbermens Merchandising Corporation, but with two real differences.

Where BMA and ELMCO are essentially commodities brokers, arranging volume purchases and handling drop shipments for their members, National will sell its dealer-members exclusively out of MATCO's distributor network, which covers from Maine to South Carolina and out to nearly every state in the Midwest.

Another difference is National's merchandising program, which is specifically designed to assist lumber dealers to attract more contractor customers.

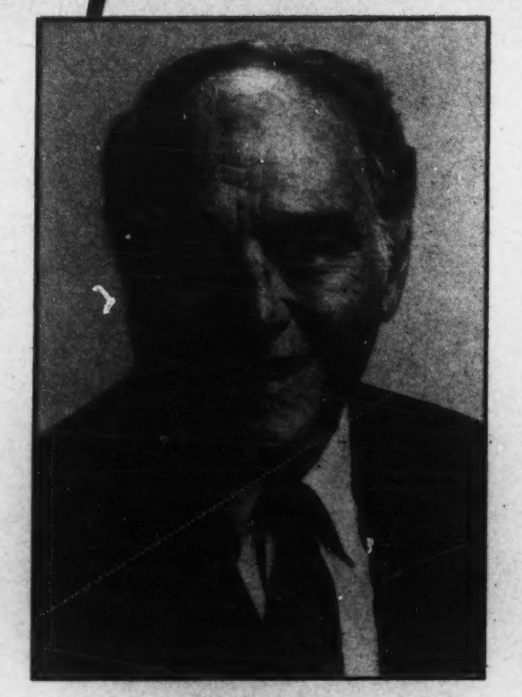
It appears that National has struck a responsive chord with independent dealers: Through early June, the co-op had signed up 75 members, and its goal is to have 100 in its first year of operation.

Half weren't co-op members

Many lumber dealers are already members of one of the hardware or building material buying groups. But most co-op officials admit that dealer switching between groups is relatively common, which National will be looking to capitalize on to grow.

Gomberg recognized that, in 1986, American got 36 percent of its $842 million in sales from lumber and building materials distribution; Ace's $53 million in commodities sales will grow appreciably in 1987 as its new building materials program that was introduced last October expands; Cotter, which did $104 million drop shipping these products in 1986, will have its first buying show for lumber dealers in Florida next January.

However, he was confident about the attractiveness of National's program over its competitors.' "No matter how much Cotter does with lumber



Stanley Gomberg

dealers, its base is still hardware. We're building materials specialists," he said.

"Originally, we set up National to augment and benefit MATCO," said the 64-year-old Gomberg, a Harvard Law graduate who first got into the building materials business by starting the now-defunct Continental Materials. "But after going to a number of markets, we realized that what we were offering was a service that dealers had been looking for but couldn't find."

To amplify this point, Gomberg pointed out that among the first 60 dealers National signed up as members, half had not belonged to another buying group, a situation thought to be almost inconceivable for a hardware store and even most lumberyards.

Strong builder markets

On February 1, Gomberg and other MATCO employees began canvassing the Northeast and setting up regional meetings to sign new members, concentrating on western Pennsylvania; Vermont; southern Connecticut; New York City; Long Island, N.Y.; and northern New Jersey—markets where the majority of MATCO's distributors have warehouses, and where contractor activity in recent years has been particularly strong due to new home construction.

Now that it has established a viable concept, National is initiating the advertising and promotional programs targeting contractors it promised its dealers.

Gomberg, who serves as the co-op's managing director, said National will be hiring an ad agency over the next few weeks to devise such a campaign.

National is set up pretty conventionally, with the lumber dealers holding private stock in the company and comprising its management on a rotating basis. They would be paid a patronage dividend at the end of the year.

Gomberg declined to divulge what the investment requirements for dealers to join National were, noting that they haven't been formalized completely yet. "Eventually, we'll come up with some parameters, but the upfront money required will be relatively low," he said.

As for long-term expansion, Gomberg is hoping to convert many of the dealers already buying from MATCO's distributors into co-op members. "We have quite a pool to work from," he said. "Many of these dealers want and need the program we're developing."

Dealers slash budgets, report earnings increase

(Continued from page 1)

headquarters store.

The most dramatic factor impacting chains' earnings was the decline in selling, general and administrative (SGA) expenses as a percent of revenues.

Take The Home Depot, which had the most dramatic earnings increase of any company. Its net margin increased to 3.83 percent for the first quarter from 2.31 percent for the same period in 1986.

Nearly all of that 152-basis point increase came from a decline in the chain's SGA expenses to 20.97 percent in the quarter from 22.49 percent for the same period a year ago. (One hundred basis points make up a percentage point.)

'They've turned the [Home Depot] inside out," said Skip Helm, the analyst covering home centers at William Blair, Chicago. "The execution of their strategy is much better and they have retrained their people."

Hechinger's performance

Hechinger experienced a 94 basis point increase in net margin to 4.49 percent, from 3.55 percent the year before. That's even more remarkable than Home Depot's performance, since the latter's comparison is with a bad quarter in 1986.

Again, the most dramatic change at Hechinger was a 64 basis point decline in SGA to 21.53 percent of revenues.

"Hechinger is continuing its good execution, in a better [competitive] environment," pointed out Helm.

Wolohan Lumber slashed its SGA to only 21.04 percent of sales from 24 percent in the first quarter of 1986 percent. SGA dropped 185 basis points at Grossman's, 24 points at Payless and 22 at Lowe's.

Earnings gains the result

Improvements in gross margins, which have come about as a result of easing of the competitive pressures in many markets, had an effect on the earnings at some companies, although not nearly as pronounced as those emanating from SGA cuts.

Gross margins increased 37 basis points to 29.37 percent at Hechinger, and increased three basis points to 28.18 percent at The Home Depot.

Gross margins also went up at Grossman's and Wolohan, while dropping at Payless, Scotty's and Lowe's.

Aggressive spending helps

Helping to bolster the margins at Home Depot and Hechinger has been aggressive spending by consumers.

"Demand continues to be strong on the part of consumers, as evidenced by reports of good increases in same store sales," said Bo Cheadle of Montgomery Securities, San Francisco.

In some cases, cost cutting—in tandem with a consumer spending binge and easing of shelf pricing pressures—has created some surprisingly healthy bottom lines.

Same store sales refers to sales at stores that have been open one year or longer.

Yet the contractor business has not followed suit. As has been well reported, the nation is experiencing a softening of new home construction. That has had an effect on the builder trade at retail outlets.

Aggressive consumer spending and softening contractor demand—along with oil patch problems—have led to something of a dichotomy in the home center field.

"There is a widening gap between those with earnings growth and those with problems," said Barbara Alexander of Salomon Brothers, New York.

Less profit from builders

Home Depot and Hechinger, both of which rely heavily on consumer traffic, are reporting strong gains. Meanwhile Lowe's and Scotty's—which have strong contractor trade as well as consumer trade—are reporting less than robust earnings increases.

Scotty's, on the other hand, has come under pressure from a new round of competition in its primary Florida market. Builders Square, in particular, has been active with new stores in Scotty's territory.

There was some speculation the Tax Reform Act of 1986 would start to help home center retailers by now, and it appears to be true.

The tax rate dropped at Hechinger, Depot, Payless and Lowe's during the most recent quarter, while rising at Scotty's.

Yet the lower tax rates accounted for only a small portion of the earnings gains reported at Depot and Hechinger.

At the former, net earnings would have been 18 basis points higher if the company had been taxed at the same rate as the first quarter last year.

At Hechinger, the comparable figure is 24 basis points.

1987 Hardware Show Schedule

By an NHCN staff editor

CHICAGO — Eight one-hour seminars will be held in conjunction with the 1987 National Hardware Show, August 9 - 12 at McCormick Place in Chicago.

The seminars will be conducted by the American Hardware Manufacturers Association.

Other sponsors of Hardware Industry Week include: the Hand Tools Institute, Home Center Institute, National Retail Hardware Association, National Lawn and Garden Distributors Association and the National Wholesale Hardware Association.

The show will be held at McCormick Place, Chicago.

SEMINAR SCHEDULE

SEMINAR A: Videotape in Selling and Training
Monday, Aug. 10, 3:30 p.m., McCormick Place East.

SEMINAR B: For Retailers: The Economics of Importing Direct
Monday, Aug. 10, 5:30 p.m., McCormick Place East.

SEMINAR C: Wholesaler Shows—What's Good, What's Not
Monday, Aug. 10, 3:30 p.m., McCormick Place North.

SEMINAR D: How Buyers Evaluate New Products
Tuesday, Aug. 11, 8:30 a.m., McCormick Place East.

SEMINAR E: Personal Computers in Hardlines Retailing
Tuesday, Aug. 11, 8:30 a.m., McCormick Place East.

SEMINAR F: Market Information: Lawn & Garden's Needle in a Haystack
Tuesday, Aug. 11, 8:30 p.m., McCormick Place North.

SEMINAR G: Consumer Climate in the '80s: Its Impact on the Industry
Tuesday, Aug. 11, noon, McCormick Place North.

SEMINAR H: The Rep and the Factory: Improving the Relationship
Tuesday, Aug. 11, 3:30 p.m., McCormick Place East.

For more information contact William P. Farrell at the American Hardware Manufacturers Association (AHMA), 931 North Plum Grove Road, Schaumburg, Ill., 60173-4796.

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National
Home Center News ®

Vol. 13, No. 15 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. July 27, 1987

Inspectors target lumber stamp scam

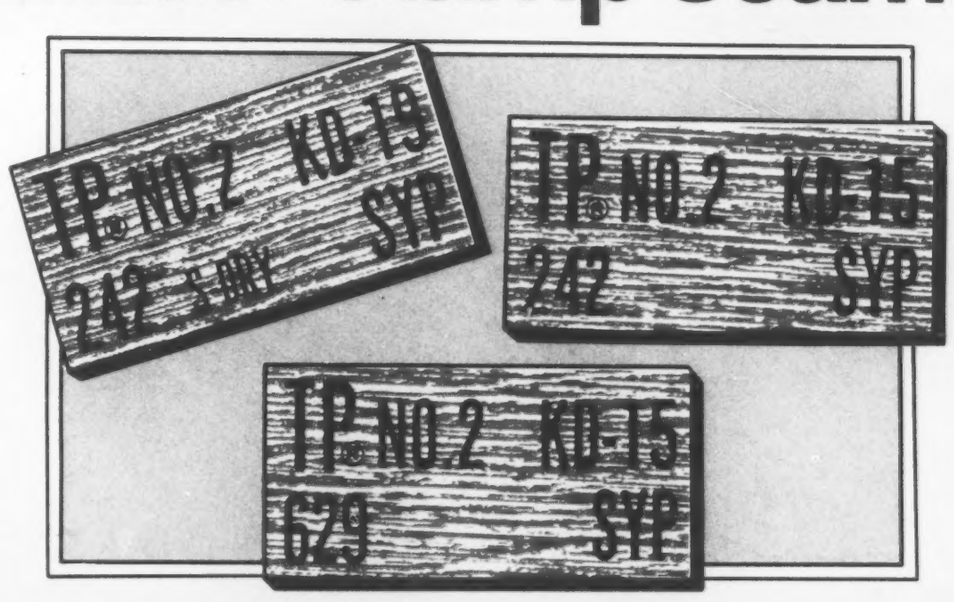
By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Counterfeit grading stamps on substandard lumber are prompting law enforcement authorities and industry grading inspectors to shut down devious wood processors who are selling to unwary builders and retailers.

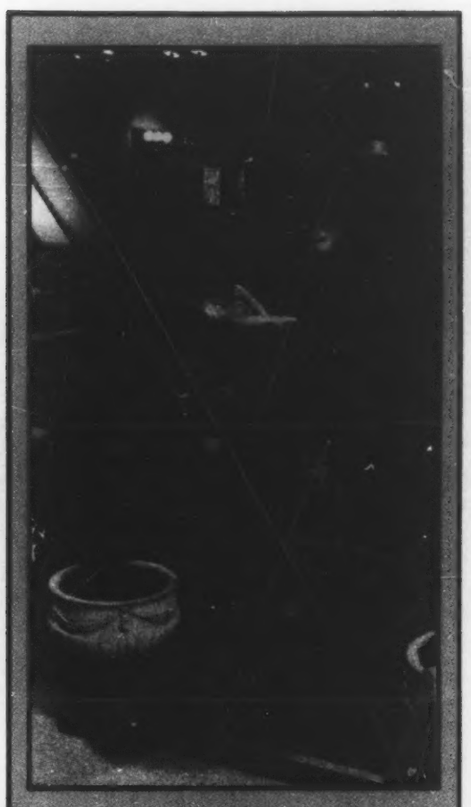
Inspectors of the American Lumber Standards Committee (ALSC), an agency sanctioned by the U.S. Commerce Department to police the forest products industry's quality control and grading systems through nine private inspection agencies, said the problem of counterfeit stamps appears to be more common in the Southern states.

In a graphic and recent example of government cracking down on the practice, the Florida Attorney General charged the executives of Universal Truss Inc., Miami, with deceptive sales practices after Dade County building inspectors in May discovered the manufacturer allegedly put a high-grade stamp on low-quality 2x4s used in trusses. Investigators believe Universal Truss supplied structurally deficient trusses to some 2,000 homes since 1984.

(Continued on page 20)



Examples of counterfeit stamps of Timber Products Inspection Inc. Dealers who suspect they are carrying fraudulent stamped lumber should call TPI 800-241-1194 for a regrading inspection.



Lowe's displays a gas grill on a brick patio in one of its Mobile, Ala., stores. NHCN photo

Gas grills ignite summer BBQ sales

By Suzanne Floyd
NHCN staff editor

NATIONAL REPORT — A warehouse home center in the East had purchased a truckload of charcoal in anticipation of the summer barbecue season. But through June, pallets of the stuff were still to be found on the store's sales floor.

The store's assistant manager noted that his unit was selling "50 times more gas grills this season then charcoal." The trend in his store was evident nationwide, as consumers—except those city dwellers barbecueing on their terraces or fire escapes—trade up to more durable gas grills, which are dominating other types of barbecues sold by home centers.

Grill manufacturers and retailers report healthy sales in the barbecue category overall. Arthur Seeds, president of the Barbecue Industry Association, said that sales for 1987 have been excellent so far and have held pace with 1986.

(Continued on page 104)

Chicago police nab 25 workers in Handy Andy sting operation

By an NHCN staff editor

CHICAGO — Police have charged 25 employees at a new Handy Andy store here with theft, in a scam involving at least $125,000 worth of merchandise.

Sgt. James Peterson, who led the police investigation, said 14 employees were arrested on July 2, on felony theft charges.

Another 11 have been charged with counts of misdemeanor theft, and their arrests are pending, he said.

According to Peterson, the scam worked liked this:

When a customer expressed interest in an item, a sales clerk would suggest to the customer that the item could be had for less than the ticketed price.

> "I'm sure this is going on every day in large retail stores. It's just that not everyone catches it like Handy Andy. It shows their security was pretty good."
>
> —**Sgt. James Peterson,** *Chicago Police Dept.*

The clerk and customer would negotiate a price, the customer would be instructed to pick up the merchandise behind the store. The clerk would then pocket the money paid.

"The customer going in there was getting a lot, the employees involved were getting a lot," said Peterson. "The only one who wasn't getting a lot was Handy Andy." Company officials refused to comment on the case.

Peterson said Bob Coleman, Handy Andy's director of corporate security, told police of the scam on June 6, after discovering an employee in the act of illegally selling merchandise.

Posing as customers, six police mounted a sting operation, making 20 purchases be-

(Continued on page 104)

Adjuster clears Win-Holt cart in Depot death

By an NHCN staff editor

NEW YORK — The lumber cart whose collapse resulted in the death of a child in a Home Depot in May was not manufactured by Win-Holt, an independent Florida insurance adjuster has determined.

Earlier news accounts that named Win-Holt as the manufacturer of the cart in question (*NHCN*, June 1, June 15), were based on police reports.

In a report dated June 15, The Florida Adjustment Bureau, Fort Lauderdale, Fla., asserted that in-

(Continued on page 104)

Diamond secures $65 million line of credit

By Ariane Sains
NHCN staff editor

CARROLLTON, Tex. — Diamond Lumber has secured a $65 million line of credit from its major lender, money the company hopes will help pull it out of its Chapter 11 morass.

Within the last few weeks, Diamond has also added 15 outside salespeople to its staff, in a move to maintain visibility and bolster credibility and sales among contractors, the major source of Diamond's business.

"We are continuing to fight the malicious rumors of our demise," said Jerold Grubstein, president of Michigan General Corp., Diamnond's parent. "We're cautiously optimistic. We're going to turn this thing around."

Under the terms of Diamond's June 30 agreement with CIT Business Credit, a division of Manufacturers Hanover Trust, the company may borrow up to $65 million through the end of the year. The money will be used for operating expenses.

In addition, Diamond will use sales revenue to pay off $45 million worth of revolving credit extended by CIT before the bankruptcy filing.

The new credit line is based on Diamond's receivables, inventories and real estate assets, Grubstein said. Diamond must submit monthly projections of its borrowing and profit expectations to CIT as part of the agreement.

As long as the company meets those projections, within prearranged boundries, CIT cannot cancel Diamond's credit, Grubstein said.

(Continued on page 18)

INSIDE

The Great Backyard
Last year, consumers spent more than $14 billion on lawn and garden products, and some of the biggest spenders were home center shoppers. Home centers focused much of the project selling on deck construction, but not everyone views the category from a project standpoint.

NEWSBREAKS

BID TO TAKE OVER JIM WALTER CORP: The Tampa, Fla.-based conglomerate, which last year was rumored to be a takeover candidate by Wickes Cos., received a "surprise" offer by Kolberg, Kravis, Roberts, the New York leveraged buyout specialist, of $50 per share, or $2.03 billion in cash for its common stock. Analysts said the stock of the $2.37 billion home builder and commodities supplier could be worth as much as $65, as its price jumped by $12.50 to $58 on the day of the KKR offer.

INDUSTRY UPDATE

Channel opens 3rd N.H. unit

WHIPPANY, N.J. — Channel Home Centers is strengthening its operations in the New Hampshire market and will open its third store there in Nashua on July 23. The 55,000-square-foot unit is located in the Seimoneau Plaza on Main Street.

In March, Channel opened a 58,000-square-foot unit in Portsmouth in the Channel Plaza on Route 1.

It is also looking for a site to relocate its Salem, N.H., store. The unit, built in 1979, is now too small and needs remodeling.

"The stores are a response to the growth taking place in that state," said Ann Plaut, spokeswoman for the Whippany N.J.-based chain.

Cyclops and Dixons to merge

PITTSBURGH — At a June 29 meeting, shareholders of the Cyclops Corp. agreed to merge the firm with a unit of Dixons Group PLC, London.

Earlier this year, Dixons had accumulated 83 percent of the stock of Cyclops, parent firm of Busy Beaver Building Centers.

Remaining shareholders will receive $95 per share for their holdings.

On July 10, Dixons announced it had reached an agreement to purchase the $100 million Tipton Centers, a St. Louis-based chain of consumer electronics stores, for $30 million.

"Dixons management has been preoccupied getting that acquisition in place," noted John Gilbertson, a senior associate at Morgan Stanley & Co., the investment banking firm engaged by Dixons to provide an opinion on the acquisition of Cyclops.

"Fairly shortly, some determination should be made as to Busy Beaver," noted Gilbertson.

Star Lumber works on new DC

WICHITA, Kan. — Independent Star Lumber & Supply has begun work on a distribution center at its main West Street yard.

The 24,000-square-foot DC will house its hardware items, which are currently stored in a number of different warehouses and the basement of its West Street store.

The new DC is slated to open in late September and will be Star Lumber's third centralized warehouse.

The three-unit company, which generated sales of $50 million in 1986, already has separate carpet and lumber warehouses.

Beatrice subsidiary begins IPO

CHICAGO — E-II Holdings, the company being spun off by Beatrice Company, began its initial public offering of 28 million shares on July 2 at a price of $15 per share. Also offered was $1.5 billion in subordinated debt.

This included $750 million principal amount of 12.85% senior subordinated notes due 1997 and $750 million principal amount of 13.05% subordinated debentures due 1999.

The common stock has been accepted for listing on the New York Stock Exchange under the symbol EII.

E-II Holdings will consist of four divisions including a consumer products segment with nine independently operated companies. Among these are Aristokraft kitchen cabinets; Chicago Specialty plumbing fittings; Samsonite casual furniture; Dei Mar window coverings; and Dearborn Brass.

Stocks net middling results

NEW YORK — Fans of the home center stock market were treated to some middling results during the two weeks ended July 10.

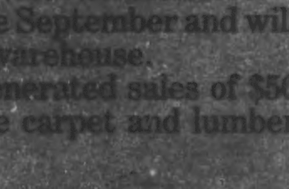
Of the 58 stocks tracked for *NHCN* by Media General, 25 increased in price, three remained the same and 30 declined.

Stanline increased 8.9 percent to $12.25. Standard Brands Paint increased 7.4 percent to $25.38.

Grossman's declined 6.7 percent to $3.75 while Moore Handley went down 5.9 percent to $8.00.

National Hardgoods Distributors declined 4.9 percent to $7.25.

(See financial tables, page 101.)



Unchanged 3

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CoastAmerica's common stock offering yields $24 million

By an NHCN staff editor

CoastAmerica successfully completed its public offering of 3 million shares on July 2.

The stock, issued at $7 per share, produced $21 million prior to underwriting fees. It sold for $8 per share by mid-July.

On July 13, underwriters exercised their over-allotment option on 450,000 shares, which produced an additional $3,150,000.

Simultaneous with the offering the company issued 500,000 option shares for the owners of Coast to Coast franchise stores. There are roughly 1,000 franchise outlets; 500 options per store were available. The option can be exercised in two years at the $7 price.

"It was a fantastic transaction for all involved," said chairman Richard Bard. "It was placed at a fair price to give all our new owners a chance to accrue value as our business plan begins to unfold."

The proceeds, along with $6.7 million in existing bankline funds, were used to repay all acquisition-related debt and to position the company to be able to support future expansion, according to Daniel Shimer, vp-treasurer.

"While the company was well positioned financially prior to this offering," said Shimer, "the prepayment of acquisition debt enables the company to be very opportunistic in its outlook toward expansion and growth."

CoastAmerica is traded as Coastam on the NYSE.

Lowe's newspaper supplies financial results to investors

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Lowe's, the $2.3 billion retailer based here, has news for its investors.

Make that a news*paper* for its investors.

In the latest innovation by a company known for unusual methods of communicating financial results, shareholders received first-quarter results earlier this month in the form of a newspaper called *The Lowe's Quarterly*.

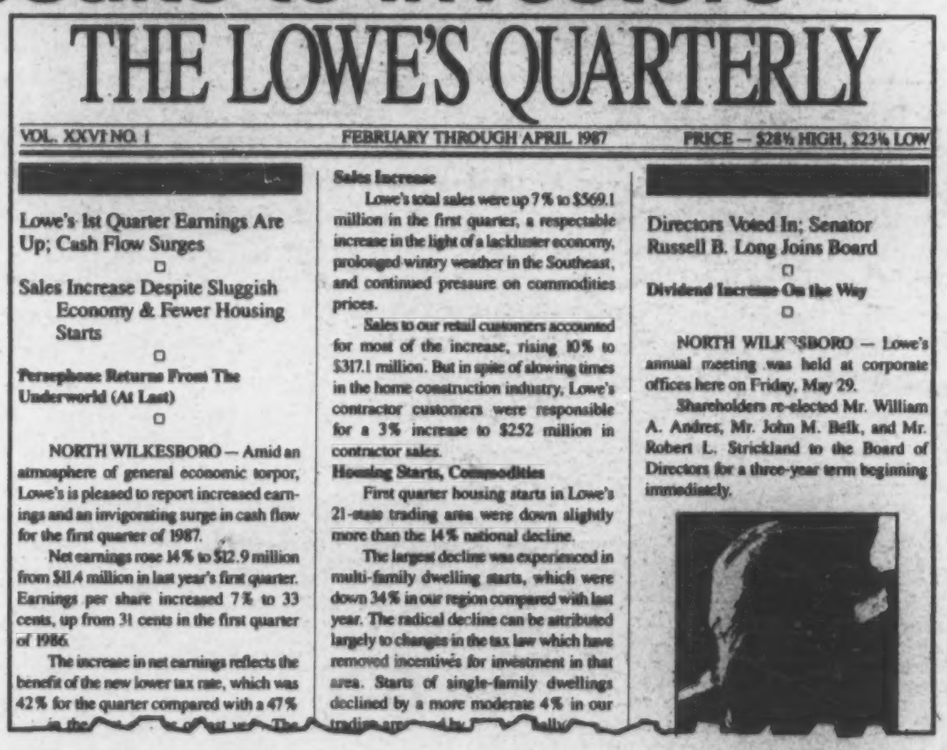
The paper's lead story is bugged "Turning the Corner" and is headlined "Lowe's 1st Quarter Earnings Are Up; Cash Flow Surges."

After noting the firm's sales increased despite "Sluggish Economy & Fewer Housing Starts," the headline trumpeted "Persephone Returns from the Underworld (At Last)."

The allusion is to Greek mythology, in which the earth was cold and barren while the goddess Persephone was in the Underworld. It was made because of the severe winter that impacted Lowe's market.

Where newspapers normally print their cover price, *The Lowe's Quarterly* carries an allusion to its stock price during the quarter ended April 30: "Price—$28½ High, $23⅛ Low."

This newspaper format will be utilized to report numbers for the remaining quarters of this year, according to a company spokesperson.



THE LOWE'S QUARTERLY

VOL. XXVI NO. 1 — FEBRUARY THROUGH APRIL 1987 — PRICE — $28½ HIGH, $23⅛ LOW

Lowe's 1st Quarter Earnings Are Up; Cash Flow Surges

Sales Increase Despite Sluggish Economy & Fewer Housing Starts

Persephone Returns From The Underworld (At Last)

NORTH WILKESBORO — Amid an atmosphere of general economic torpor, Lowe's is pleased to report increased earnings and an invigorating surge in cash flow for the first quarter of 1987.

Net earnings rose 14% to $12.9 million from $11.4 million in last year's first quarter. Earnings per share increased 7% to 33 cents, up from 31 cents in the first quarter of 1986.

The increase in net earnings reflects the benefit of the new lower tax rate, which was 42% for the quarter compared with a 47% in the

Sales Increase

Lowe's total sales were up 7% to $569.1 million in the first quarter, a respectable increase in the light of a lackluster economy, prolonged wintry weather in the Southeast, and continued pressure on commodities prices.

Sales to our retail customers accounted for most of the increase, rising 10% to $317.1 million. But in spite of slowing times in the home construction industry, Lowe's contractor customers were responsible for a 3% increase to $252 million in contractor sales.

Housing Starts, Commodities

First quarter housing starts in Lowe's 21-state trading area were down slightly more than the 14% national decline.

The largest decline was experienced in multi-family dwelling starts, which were down 34% in our region compared with last year. The radical decline can be attributed largely to changes in the tax law which have removed incentives for investment in that area. Starts of single-family dwellings declined by a more moderate 4% in our trading

Directors Voted In; Senator Russell B. Long Joins Board

Dividend Increase On the Way

NORTH WILKESBORO — Lowe's annual meeting was held at corporate offices here on Friday, May 29.

Shareholders re-elected Mr. William A. Andres, Mr. John M. Belk, and Mr. Robert L. Strickland to the Board of Directors for a three-year term beginning immediately.

The Lowe's Quarterly *is a newspaper reporting quarterly financial results to shareholders.* NHCN photo

Lone Star buys 4 stores, eyes others

By an NHCN staff editor

LENEXA, Kan. — Lone Star Hardware, a franchise of Westlake Hardware based here, completed the purchase of three Handy Dan stores and one Allwoods in Texas from the Builders Emporium division of the Wickes Companies. The purchase, completed July 2, may not be the last for Lone Star, which is negotiating for more acquisitions.

Lone Star, based in San Antonio, will lease three and sublease one of the units, which are located in Amarillo, Midland, Odessa and San Angelo, Texas, Westlake announced. The units, ranging in size from 34,000 square feet to 42,000 square feet, will remain open during the remodeling. They will be called Westlake Hardware and will be affiliated with American Hardware Supply, Westlake announced.

Daryl Lansdale, former president of W.R. Grace's central region, which at one time operated the stores acquired, is the ceo of Lone Star Hardware. Scott Westlake, president of Westlake, is chairman of the Texas franchise, the company said.

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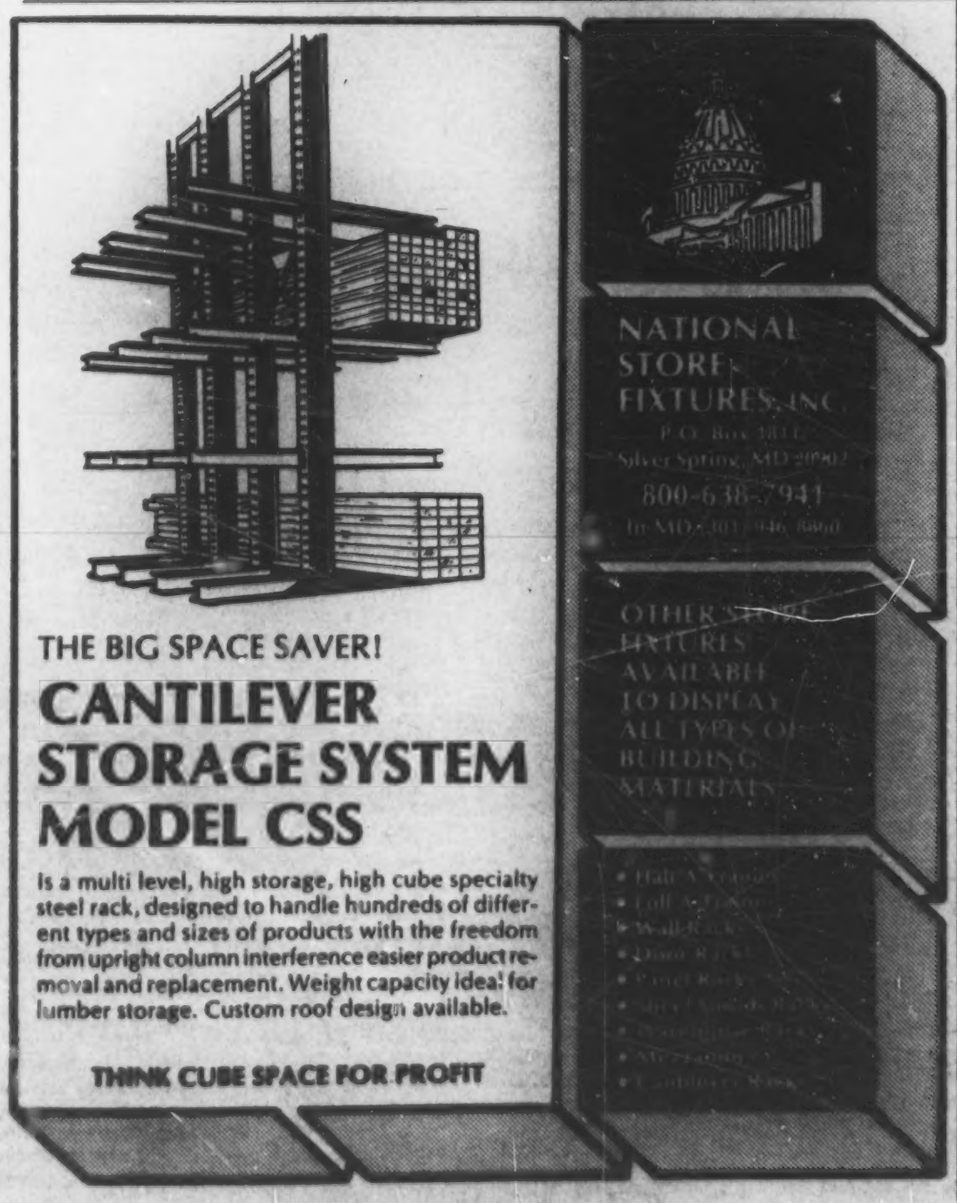

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Ken Gates, Lawrence Brothers vp sales, looks over the "two pieces of bent metal" that will convert almost any retailer's gondola into a divided bin system complete with illustrated shelf talkers. NHCN photo

Lawrence steps up marketing, introduces innovative shelving

By an NHCN staff editor

STERLING, Ill. — Next month, the national network of Lawrence Brothers sales reps will get its first exposure to the manufacturer's innovation in gondola shelving and the company's intensified marketing plans.

By utilizing long, z-shaped metal supports and scored dividers, a number of Lawrence's bagged or loose products can be quickly stocked on any shelf of virtually any retailer's gondola. The front metal support holds a header panel, allowing the retailer to line up product tags.

Stand-alone fixture

Lawrence also sought the new, segmented space system so retailers could stock larger quantities of faster-selling items, reducing out-of- stock positions.

Key to the shelf divider system's flexibility is the stand-alone nature of its design. Instead of depending on attachment to the gondola for its support, Lawrence's divider system is self-supporting.

Adhesive strips on the bottom side of the front and rear supports keep the unit in place while the plastic dividers provide variable bin sizes and lateral stability. Scored every inch, the dividers can be broken off anywhere along the 21-inch length to fit the space and simply slid into openings along the supports.

Computer-aided displays

But the shelf dividers are just one part of Lawrence's new marketing thrust. Using a computer plotter and a new in-house photo studio, Lawrence Brothers is studying demographic and prior sales data to refine present programs and tailor displays for new accounts.

Using an Apple Macintosh computer, Lawrence's national sales manager and marketing manager Mark Lauritzen designs gondola layouts for the potential customer or for an existing customer's changeover.

Each hole on each four-foot gondola's pegboard is assigned an item, even if it ultimately isn't used. Then, with a gondola loaded with merchandise, the marketing team uses an in-house photo studio to give the customer a view of the actual display.

But the actual stock order remains the customer's decision.

"We can suggest an inventory based on the store's layout, previous sales history and the demographic setting, but we won't tell you what to buy," said Ken Gates, vp of sales and marketing at the 111-year-old manufacturer.

Corrections

A caption for the chart appearing on the top of page P4 of this issue is incorrect. It should read "Home center shoppers are big lawn and garden spenders: Chart shows average overall amount spent on lawn and garden in all stores in 1986 by shoppers of each retail group."

A July 13 article of Westlake Hardware's expansion incorrectly stated that several of the chain's stores were supplied by American Hardware Supply. Only one unit in Oklahoma City is. In that story, Scott Westlake should have been identified as the chain's president.

In a hardware story that ran in the May 18 issue, *NHCN* reviewed manufacturer price increases and incorrectly reported that Stanley Hardware increased prices 2.9% since last August. Stanley did not raise prices at that time.

Daryl Lansdale is the ceo of Lone Star Hardware, San Antonio, Texas. Mr. Lansdale's name was misspelled in previous editions.

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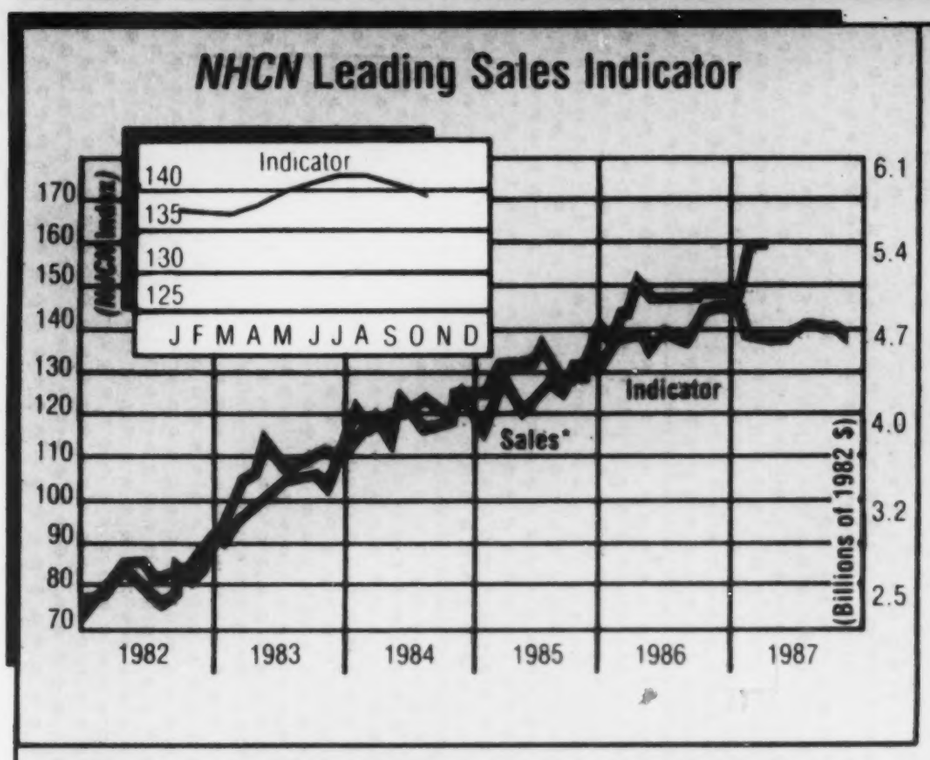
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales remained strong in the first quarter, but the rise in mortgage rates suggests lower starts and resales ahead.

Sales in Mountain states will match expected national gain

By Richard E. Mount
Special to NHCN

Building material sales in the Mountain states will match the 11 percent increase expected for the nation this year. Removing the influence of inflation, sales will be up 7 percent. This contrasts to 1986 when the gain in the region was 17 percent in unit volume, two percentage points higher than the United States.

This region declined during the last recession and it was not until 1984 that the area began to recover. Because of the lateness of the snap back, it was able to exceed the national norm for a while. But the fall in energy prices in early 1986 reduced exploration and mining of domestic energy resources, pushing the economy of many states in this area down.

Richard E. Mount

Employment in the Mountain states rose 1.4 percent last year, less than the 1.9 percent national total. Other indicators showed weakness as well. Resales, an important factor for building material sales, were unchanged, nationally up 11 percent. Total retail trade in the Mountain states was up 2.5 percent, 5.4 percent in the U.S.

The region is being pulled in two different directions in 1987. States that are favorable for services, high-technology, retirement living and corporate relocations are strong, while those with con-

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1987 QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	141.8	140.6	118.5	130.4	140.3
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	63,708	64,396	62,956	64,584	68,720	71,369	73,848	75,766	55,695	65,529	72,426
	New England	3,012	3,270	3,435	3,488	3,677	3,768	3,892	3,970	2,597	3,301	3,827
	Middle Atlantic	7,468	7,896	7,956	8,274	8,755	9,121	9,430	9,637	6,427	7,899	9,236
	East North Central	9,864	11,647	11,365	11,627	12,232	12,682	13,138	13,494	10,081	11,126	12,886
	West North Central	3,938	4,423	4,600	4,610	4,838	4,960	5,118	5,235	4,114	4,393	5,038
	South Atlantic	14,006	13,410	12,099	12,405	13,634	14,309	14,858	15,259	11,135	12,980	14,515
	East South Central	3,717	3,800	3,665	3,549	3,848	4,075	4,276	4,410	3,104	3,683	4,152
	West South Central	8,328	7,653	7,057	7,052	7,539	7,772	7,983	8,190	7,320	7,523	7,871
	Mountain	3,660	3,308	3,352	3,508	3,718	3,833	3,951	4,069	2,956	3,457	3,892
	Pacific	9,715	8,988	9,427	10,071	10,480	10,848	11,203	11,501	7,827	9,550	11,008
Constant	**Millions $1982 SAAR Total United States**	59,791	62,149	59,924	60,188	63,469	64,750	65,750	66,200	52,705	60,513	65,042
	New England	2,827	3,156	3,270	3,251	3,396	3,419	3,465	3,469	2,463	3,126	3,437
	Middle Atlantic	7,009	7,620	7,573	7,711	8,086	8,275	8,396	8,421	6,096	7,478	8,294
	East North Central	9,258	11,241	10,818	10,836	11,297	11,506	11,697	11,790	9,564	10,538	11,573
	West North Central	3,696	4,269	4,378	4,296	4,468	4,500	4,556	4,574	3,903	4,160	4,525
	South Atlantic	13,145	12,942	11,516	11,561	12,592	12,982	13,229	13,333	10,562	12,291	13,034
	East South Central	3,488	3,667	3,488	3,307	3,554	3,697	3,807	3,853	2,944	3,488	3,728
	West South Central	7,816	7,386	6,717	6,572	6,963	7,051	7,108	7,156	6,944	7,123	7,069
	Mountain	3,435	3,193	3,191	3,269	3,434	3,477	3,518	3,555	2,804	3,272	3,496
	Pacific	9,118	8,674	8,973	9,386	9,679	9,842	9,974	10,049	7,425	9,038	9,886
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	4.73	5.08	5.46	5.40	5.35	5.28	5.27	5.24	4.67	5.17	5.28
	Middle Atlantic	11.72	12.26	12.64	12.81	12.74	12.78	12.77	12.72	11.57	12.36	12.75
	East North Central	15.48	18.09	18.05	18.00	17.80	17.77	17.79	17.81	18.15	17.41	17.79
	West North Central	6.18	6.87	7.31	7.14	7.04	6.95	6.93	6.91	7.41	6.87	6.96
	South Atlantic	21.98	20.82	19.22	19.21	19.84	20.05	20.12	20.14	20.04	20.31	20.04
	East South Central	5.83	5.90	5.82	5.50	5.60	5.71	5.79	5.82	5.59	5.76	5.73
	West South Central	13.07	11.88	11.21	10.92	10.97	10.89	10.81	10.81	13.18	11.77	10.87
	Mountain	5.74	5.14	5.32	5.43	5.41	5.37	5.35	5.37	5.32	5.41	5.37
	Pacific	15.25	13.96	14.97	15.59	15.25	15.20	15.17	15.18	14.09	14.94	15.20
Industrial Production												
Index (1977 = 100)	Brick	92.7	91.1	93.9	95.8	92.4	91.1	90.9	90.6	88.5	93.4	91.3
	Cement	121.2	108.7	105.6	108.2	107.9	106.5	105.2	104.7	105.7	110.9	106.1
	Gypsum Wallboard	132.8	133.7	132.3	134.5	134.6	134.2	133.1	132.1	126.4	133.3	133.5
	Hardware	99.8	102.1	103.5	101.7	104.5	103.9	103.2	102.9	100.9	101.8	103.6
	Lumber Products	128.0	132.8	134.1	134.2	127.5	126.7	126.1	125.2	122.9	132.3	126.4
	Paint	100.6	103.0	100.1	93.8	107.2	107.9	108.4	107.9	101.9	99.4	107.9
	Plywood	149.6	161.4	164.3	158.2	157.2	156.2	154.4	152.7	138.7	158.4	155.1

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
July 9, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Sales in Mountain states will match expected national gain

(Continued from page 16)
centrations in mining, especially energy, and manufacturing are hard pressed. The result is a regional economy with exceptionally strong states and very weak neighbors.

Nevada still going strong

Nevada continues to be the premiere state in the region for growth. Employment rose 5 percent last year, resales 10 percent and single-unit starts 36.2 percent. Its service-based economy is less cyclical, allowing it to weather downturns at the national level.

Arizona's economy has been vibrant with employment up 4.9 percent last year. But housing markets, overbuilt in areas, were not as strong as in Nevada. Resales were up 2.9 percent, single starts 0.8 percent.

The first quarter of 1987 saw a sharp drop in resales to 45,500 units from 73,100 in the prior quarter, as owners of second homes sold to take advantage of capital gains rates under the old tax law.

With resales a good indicator of future building material sales, a continuation of current resales levels, which we do not anticipate, would bode ill.

Mixed results

New Mexico had a mixed performance. Resales were off 1.5 percent while single starts rose 34 percent.

Behind this dichotomy is a 1.4 percent rise in employment as most sectors did moderately well, save for mining. The state is attractive for retirees, keeping housing demand strong.

Hard-pressed states

Utah showed some improvement in 1986, employment was up 1.6 percent, but resales were down 5.8 percent and single-unit starts 11.7 percent. Manufacturing, mining and construction were off last year.

Idaho employment was off 0.4 percent in 1986 with mining and manufacturing down. Resales declined 1.7 percent and starts rose only 3.3 percent.

Montana felt the impact of lower mining activity in 1986 (down 13 percent in the state) and the spill-over into transportation, trade and construction pulled the total down 1.1 percent.

There was a 7.2 percent rise in resales but single starts barely rose—up 0.6 percent.

Wyoming was the most severely harmed among the Mountain states in 1986. The drop in coal mining caused total employment to be off 3.8 percent.

Resales were down 6.2 percent, but single-unit starts rose 2.3 percent.

Regional outlook

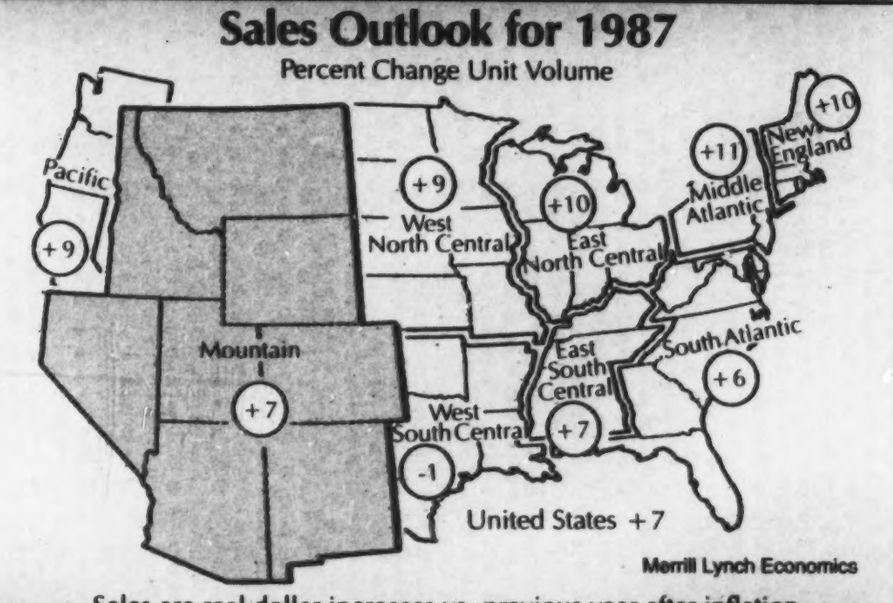
The two-tier economy in the Mountain states should persist this year due to continued problems in energy and manufacturing.

facturing.

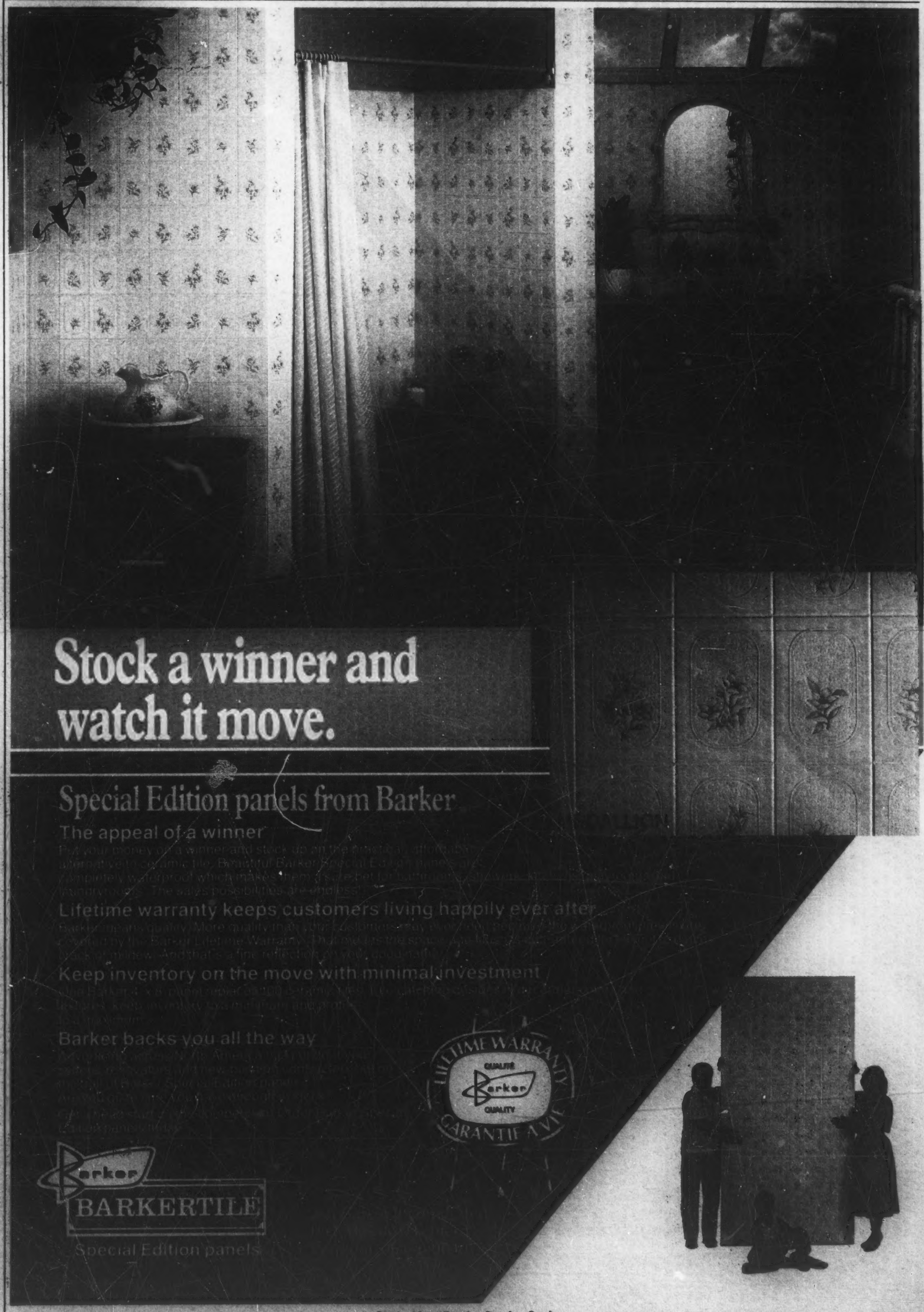
Many states are hard pressed by soft employment and housing markets. while building material sales in the region as a whole will rise 11 percent this year, state-by-state differences will be large.

It will not be until 1988 that the region begins to again rise faster than the national average. The differences between strong and weak states within the region will narrow.

Energy prices and drilling activity are turning up now and the decline in the dollar will help manufacturing. Gains in employment will be translated into stronger resales, housing starts and building material sales.



Sales are real dollar increases vs. previous year after inflation.



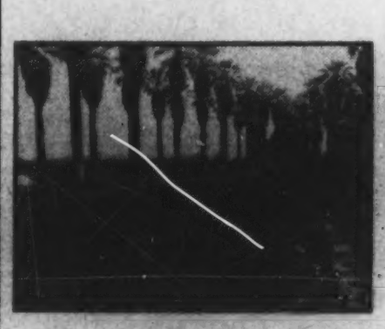
Circle 19 on Reader Service Card

PROJECT SELL:

HIGHLIGHTS

P11 **NO-LAWN LAWNS** In some areas of the country, due to water shortages and low-maintenance appeal, marble chips, tree bark colored stones, and other materials are replacing grass as the preferred ground cover.

GOING UNDERGROUND DIYers are installing sprinkler systems more and more these days. And retailers and manufacturers are offering the products and know-how to make it easy for them. **P12**



PLANT SUPPLIER Monrovia Nurseries in Azusa, Calif. is one of the world's largest container nurseries. About 1,400 varieties cover nearly 1,000 acres of the San Gabriel foothills. **P17**

DECK SCHOOL Moser Lumber attributes 70% of this year's deck sales to monthly clinics that guide DIYers step by step. **P20**

P23 **PLAY TIME** Playground kits, with swings, slides and other accessories are gaining favor with retailers.

SAVING SCRAPS Rather than dispose of sawmill waste, many manufacturers are coming up with some unusual treated lumber products for the backyard. **P25**

P26 **BACKYARD BALCONIES** Apartment and condo dwellers need special services when it comes to outfitting their "backyards."

RETAILERS CULTIVATE BACKYARD PROJECTS

By John Caulfield
NHCN staff editor

NATIONAL REPORT — "Our purpose is to sell projects. And if you sell plants, you've got the beginnings of a project sale."

This comment, made by the buyer for a major East Coast chain that has been putting lawn and garden centers into its stores over the past year, typifies the approach many dealers are now taking in their lawn and garden departments, which have become some of the more profitable areas of their stores.

"Our analysis of the category shows its profitability over the last five years being greater than the stores' average," said Jim Cosgrove, merchandising manager of seasonal departments for Coast to Coast Stores. The Denver wholesaler is developing a 4,000-square-foot, 3,500-stockkeeping unit lawn and garden program for franchisees that will be available in 1988 and could evolve into a free-standing store selling related commodities.

Selling lawn and garden with a project slant "allows you to tie in a number of areas of your store, increases your average sales ticket, and directly affects your sales per square foot," said Cosgrove.

Throughout the country, chains and independents are sending the project message to their lawn and garden customers through in-store displays, advertising and cross merchandising. Some examples of these efforts include:

- Builders Square, the San Antonio, Texas, warehouse chain, is testing Weyerhaeuser's new computer-aided deck design program in two of its stores;
- Conklin Lumber, the Warwick, N.Y., independent, has just completed a summer-long promotion in which it gave away an entire backyard project—complete with pool, power tools and lawn furniture—worth $4,000. The promotion helped Conklin increase its sales by 20 percent (*see other story*);
- A major East Coast chain has brought garden tools to its garden centers and is drawing attention by placing them under canopies in the outdoor department;
- Even manufacturers are getting into the act. Besides Weyerhaeuser, which is pushing its nursery and deck products, O.M. Scott & Co., the industry's leading supplier of fertilizer, this year brought out its new "Aqua-Link" sprinkler system, and will soon put its own brand on the line of lawn and garden tools it has been distributing under the Burpee name;
- Customers walking to Triangle Building Centers' garden department display set up in the stores.

The deck as 'focal point'

A lot of project selling revolves around the deck. Richard Thompson, a buyer for Triangle, called the 8x12 or 15x30 decks in each of Triangle's stores (depending on its size) the "centerpiece" of the chain's lawn and garden project program.

The 16-unit Lumbermen's chain, based in Olympia, Wash., shows three species of wood for its decks as well as the display kits and related metal products for their construction. Then on a completed model, one can find lawn furniture, barbecue grills, hose hangers and an array of other products.

"The deck is the focal point," noted Lumbermen's executive vp Bill Cromett, who saw lawn and garden in general as "a very good category for project selling; we do a tremendous job with landscape timbers by selling six different types." However, the Lumbermen's units are hampered by their size—averaging around 10,000 square feet—and are unable to sell outdoor power equipment or live plants. However, this season the company initiated a private label fertilizer program Cromett said was working well.

In lawn and garden merchandising and marketing, the ability of a store to capitalize on project selling can be based upon the square footage he has to work with.

Burton Lumber & Hardware in Salt Lake City has three stores which average only 2,500 square feet. But the independent, whose stores sit on five acres, has compensated for its selling space by specializing only in certain projects, such as cedar fencing and treated decks.

"We're relying on our sales people to tie in the rest of the store with these products," said Ron Bell, Burton's general buyer. "If a person comes in to buy 800 feet of 2x6x16s for a deck and that's all he walks out with, we're not doing our job."

With more room, a store has more options, both from a merchandising and advertising standpoint. The five-unit Triangle, based in Quakertown, Pa., recently had in one of its circulars all the products that would be needed to complete a patio:

(Continued on page P4)

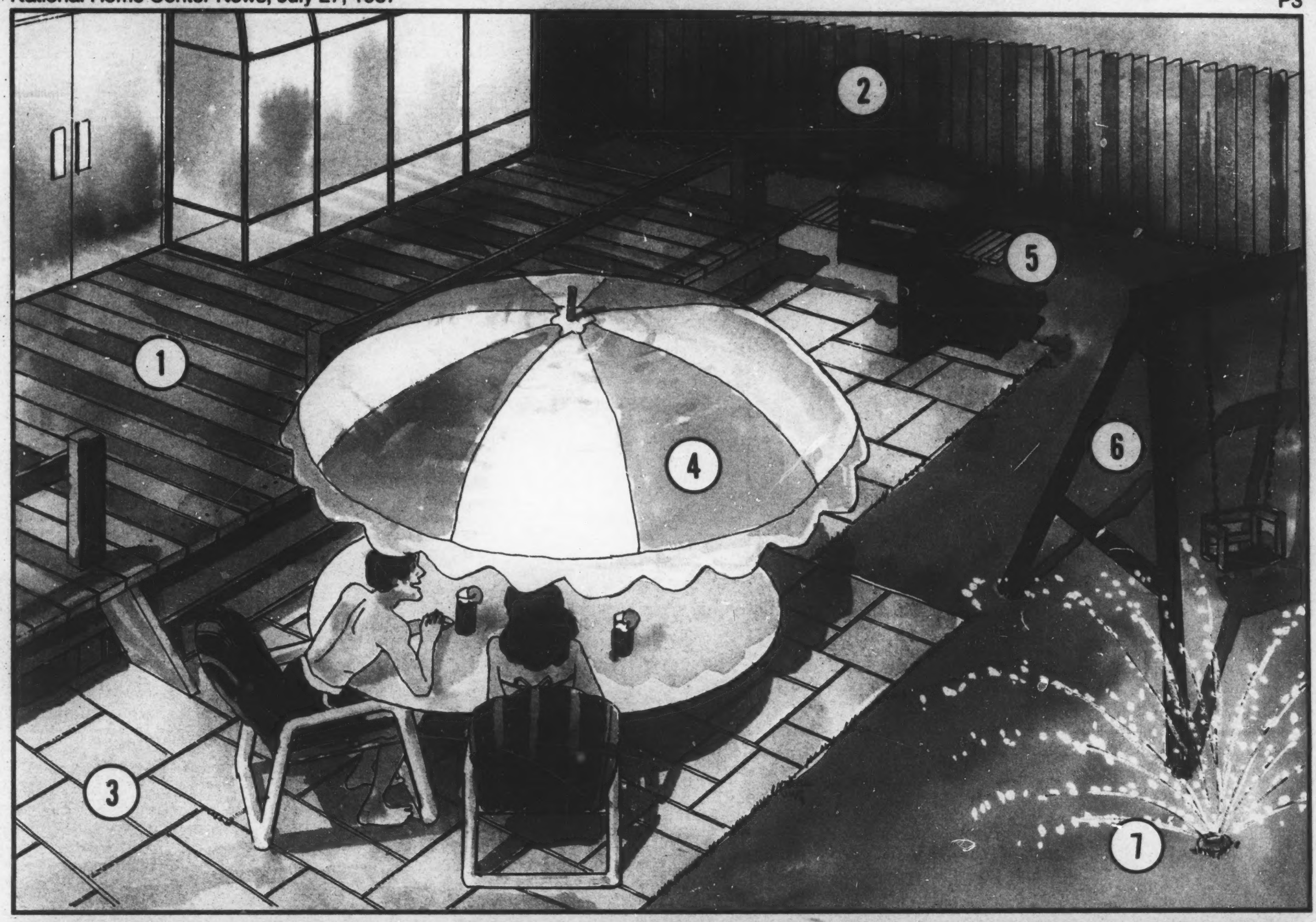
SPENDING MORE Americans spent more than $14 billion to keep their yards and gardens looking beautiful in 1986, an increase of 18 percent from last year. Lawn and garden activities and products that enjoyed the biggest increases in sales included flower bulbs, insect control, vegetable gardening and fruit trees.

What they spent

Chart shows how much consumers spent on yard care in 1986. Also shows how many households participated in various garden activities. Dollars and households in millions

	Dollars spent	Households
Lawn Care*	$4,317	51
Landscaping	2,176	20
Flower Gardening	1,519	39
Vegetable Gardening	1,363	34
Insect Control	992	29
Tree Care	845	21
Indoor Plants	826	40
Shrub Care	659	28
Other**	1,509	—

Source: Natl. Gardening Assoc.
*Includes outdoor power equipment, fertilizer, irrigation, seed, sod and related products.
**Includes bulbs ($431M); fruit trees ($382M); container gardening ($310M); ornamentals ($166M); transplanting ($133M); berries ($50M); and herb gardening ($39M).



Adding up a backyard

Some average prices of backyard accessories

1) Deck
All treated lumber for 10-foot-by-14-foot deck in cluding decking, joists, beams and railing: From $670 to $1,000.
- Seventeen-lbs. of galvanized nails: From $19 to $25.
- Fasteners and hardware: About $60.
- Pressure-treated stair stringers (three steps): From $8 to $13.

2) Fencing
Six-foot-high spruce stockade: About $3.25 per foot

3) Patio
Bricks for 10-foot-by-12-foot patio (about 560), sand and plastic forms: About $250.

4) Furniture
Five-piece resin group: About $350 (High-end for home centers, but slightly above opening price at garden centers).

5) Portable Gas Barbecue
Ranges from $77 to $350.

6) Outdoor playground
Prices vary, but average is between $220 to $400 for hardware kits not including lumber. Pre cut kits with lumber start at $1000.

7) Underground sprinkler system
Ranges from $1,200 to $1,500 installed.
For merchandise alone (includes 24 heads and seven zones, covering 1/3 acre): from $400 to $600.

TOTAL COST: LOW END
Includes 150 feet of fence, DIY sprinkler and low-end playground kit without lumber: **About $2541.50**

TOTAL COST: HIGH END
Includes 150 feet of fence, installed sprinkler and pre cut playground kit with lumber: **About $5035.50**

NOTE: Prices were obtained by phone interviews with retailers in different parts of the country and may vary. Lumber, for example, is cheaper in the South, so projects using lumber would be cheaper to build there.

Survey: Dealers attracting the right buyers

By an NHCN staff editor

NATIONAL REPORT — Home centers, through project selling efforts, are doing a good job attracting those customers who, according to research, are the biggest spenders on lawn and garden products.

However, the industry's market penetration into the lawn and garden arena, while expanding, continues to be marginal compared to competitors in the specialty, discount, even supermarket fields.

These were some of the key findings reported in the *National Gardening Survey, 1986-1987*, published recently by the National Gardening Association (NGA) in Burlington, Vt.

The study, which was conducted by the Gallup Organization, interviewed 2,566 households last September and October. Its results are nationally projectable to 91 million households.

It showed a robust retail lawn and garden industry which grew 18 percent last year to $14.206 billion.

The study also showed that the average annual customer ticket amounted to $196, compared to $159 in 1985.

"We're just starting up with a new generation of home-owning consumers, so we see the growth continuing for at least another decade," said Bruce Butterfield, research director for NGA.

Separate research conducted for Weyerhaeuser's Nursery Products division by Gallup, NGA and Trendnomics last spring found that new homeowners planned to spend an average of $1,500 on landscaping, which they thought would increase property value an average of 14.87 percent. (More than one in five new home owners surveyed thought their land value would go up 25 percent after landscaping.)

The Weyerhaeuser-funded studies discovered that homeowners are more likely to landscape a house that is between 10 and 20 years old.

The survey tracked 10 lawn and garden categories, of which eight were purchased by more Americans in 1986 than the previous year. These were led by lawn care—including outdoor power equipment—which accounted for $4.32 billion in sales (an 11 percent gain), or more than 30 percent of all the retail lawn and garden volume in 1986.

But where households purchased this merchandise, and in what quantities, is revealing.

Thirty-six million households, or 52 percent of this survey's universe, shopped in a garden center last year and spent an annual average of $272 in all retail stores for lawn and garden merchandise. The number of shoppers frequenting these stores represented a 20 percent gain over 1985.

Hardware stores showed surprising strength as a place where consumers go for lawn and garden fare. Four in 10 households went to a hardware outlet for these products in 1986 and spent an average of $268 at all outlets.

Several other retailing outlets—from seed and feed stores to even supermarkets—drew more households for lawn and garden sales than did home improvement centers, which is remarkable given the industry-wide expansion of the category.

What's important to note, though, is who's shopping these home centers and the potential for future sales.

"Home centers are doing a very good job in marketing lawn and garden to upscale consumers," said Butterfield. "The people who are spending the most money on lawn and garden are the ones that home centers seem to be targeting."

Shrade Radke II, a marketing director for O.M. Scott & Co., the Marysville, Ohio, fertilizer supplier, agrees. "I'm surprised at the study's findings because home centers are the one of fastest-growing segments for us right now."

Indeed, the NGA study shows that the respondents identified as home center shoppers are basically the same groups that spending the most on lawn and garden merchandise. The showing of garden shops and hardware stores with these groups is spottier.

For example, households headed by college-educated, professional or business people spent more than the national average. And it was among these groups that home centers had their strongest representation in the study, stronger than hardware stores and slightly behind garden centers.

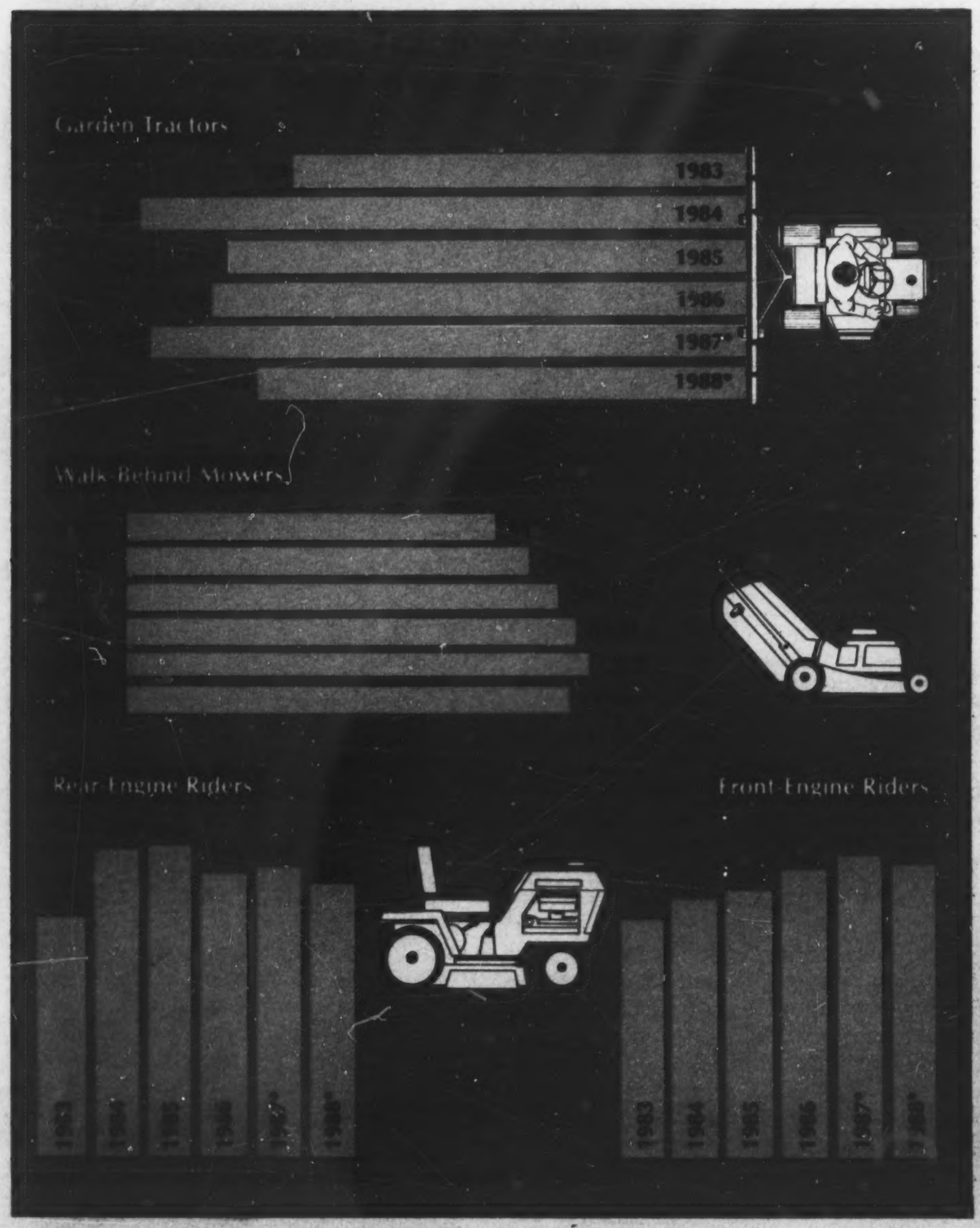
(Continued on page P4)

PROJECT SELL: THE GREAT BACKYARD

L&G customers spend big at home centers...
Chart shows average dollars spent in 1986 per customer on L&G products at various retail outlets

...But home centers don't draw many L&G customers
Chart shows number of households (in millions) shopping for L&G products at various retail outlets

Source: National Gardening Assoc. NHCN chart



The seeds of project selling

(Continued from page P2)

blocks, sand, concrete mix, marble chips, and pine bark mulch. If consumers bought every item in the ad, they would have spent between $300 and $325, according to Thompson, its buyer, and merchandise manager Bob Winegardener.

"We've always been project oriented, and what we're working on is to promote 'catalyst' products that bring together as many other products in the store as possible," Winegardener said.

However, size doesn't necessarily translate into project sales. Some products, like tools and chemicals with multiple skus, are difficult to incorporate into a project-oriented program.

"We went through this project phase around four years ago, and stopped because the sales per square foot didn't justify it," said Dennis Albert, vp-marketing and advertising for Builders Emporium, the 100-unit, Irvine, Calif.-based chain. "We look at lawn and garden strictly from a product standpoint."

Handy Andy's huge warehouse units in Milwaukee have 18,000-square-foot outdoor garden centers which have generated "unbelievable" customer traffic and sales, according to executive vp Bruce Barter. The stores feature deck displays on which lawn furniture, deck stain and even flowers are displayed.

"But I don't see lawn and garden as a project-oriented category," Barter said. "For instance, you can't sell a 'project' with fertilizer; you just stock it, price it with a rebate and sell it."

Jack Getzinger, co-owner of the four-store Yard King Warehouse specialty operation in Boca Raton, Fla., noted that the missing element in most home centers' lawn and garden departments is professional sales help.

"If you're looking at your nursery as a traffic builder, fine, you don't need good sales help," said Getzinger. "But if you're looking to build a business and reputation, and you want to get project sales, you have to make the commitment to personnel, which most home centers aren't doing."

Even Henry Bier, who is setting up Coast to Coast's new program, conceded that developing a project sheen to the surface of a lawn and garden department is difficult because "there really is no set way a consumer conducts this kind of project. Geography plays a big role in what you can sell and what projects can be done."

"I'm not sure that consumers expect our stores to have as broad an assortment as a garden center might have," noted the East Coast buyer. "But he does expect to find what he needs to complete any outdoor job. We've got to identify strengths and weaknesses."

Survey shows dealers are attracting the right buyers

(Continued from page P3)

(What's even more unexpected was home centers' strength with manual laborers, whose aggregate purchases accounted for $4.55 billion in retail lawn and garden sales, the most among all the occupational groups. Manual laborers' spending rate was only 82 percent of the national average; but home center shoppers in this group spent at the national level of 100.)

When the respondents were broken down region those living in New England, the South and the Pacific states spent the most—both in terms of per-customer sales and in aggregate retail transactions—last year.

Home center shoppers living in New England (where total lawn and garden sales rose 175 percent to $2.42 billion) spent 44 percent more than the national average; in the Pacific region, a market with an 11 percent growth in lawn and garden sales, home center shoppers bought the category at a rate 78 percent more than the average.

The pattern holds when household income is considered. The highest average ticket per customer—$273—was registered by households with incomes of $40,000 or more. Nationally, these households bought lawn and garden at a clip 63 percent higher than the national average. Home center shoppers at this income level purchased goods at a rate 44 percent above the national average.

The $30,000-to-$39,999 income households were also big spenders in the category, shelling out $221 per customer. Home center shoppers in this grouping spent 11 percent above the norm.

Home centers lag among certain demographic groups, though, particularly farmers and those shoppers in rural markets and with lower household incomes. Paradoxically, much of the expansion of this category in the industry has been in the South, yet home center shoppers living in this region spent at a rate only one-third the national average for these products.

It appears that home centers have successfully cultivated the more affluent sector of the home-owning society; now they need to go after the rest of the country to ensure continued growth.

FINANCIAL NEWS

Wholesalers move to cut expenses and fatten margins

By Phillip M. Perry
NHCN staff editor

Cut those operating costs.

Fatten those margins.

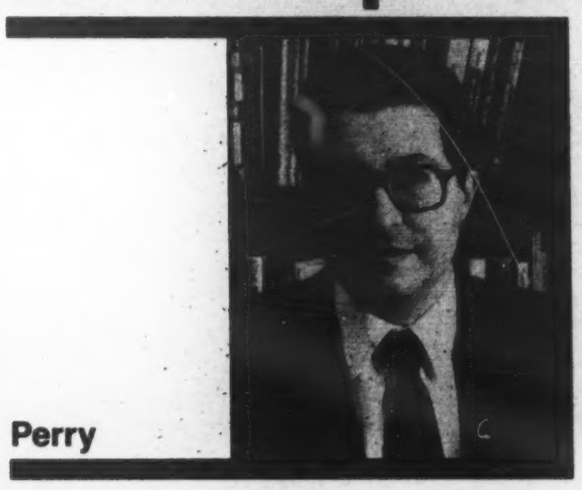
It sounds like the 1987 battle cry of the home center trade. But this time around it's in evidence at wholesalers. They are tackling some of the same market challenges as are their retail brethren.

Behind the Numbers

Financial reports from wholesalers so far this year show sporadic success in cutting costs and boosting margins. The key players in the field seem to feel more progress is ahead.

"Ten years ago there were a lot of smaller dealers responding to service," says John Anderson, chairman and president of Palmer G. Lewis, the Auburn, Wash.-based wholesaler.

With the number of such retailers declining, rules of the game have changed.



Perry

"All companies will have to refine their operations to run on a lower cost," he says. And he adds that fine tuning the merchandise in the warehouse to fatten gross margins is just as vital.

Jim Stanley, director of education for the National Building Material Distributors Association, says the majority of the association's 298 distributor members (which operate in 1,500 locations) are tackling both issues.

"We're definitely trying to reduce sg&a expense," says Steve Zepf, cfo of Hughes Supply. "Part of the reason is just the increasingly competitive nature of business, particularly here in Florida."

Anderson of Palmer G. Lewis says his intention is to get the sg&a as a percent of sales even lower than the 14.2 percent it is now. And that number is down from the 15.9 percent reported for the first quarter of 1986.

Stanline reported an sg&a of 10.0 percent, by far the lowest of the four companies. Roger Johnson, cfo, says the company has undergone a cost cutting program in recent years.

Moore-Handley says an effort is underway to cut warehouse, delivery, and selling expenses as a percentage of revenues.

Wholesalers are tackling the same high insurance costs as are retailers. Hughes Supply figures health, vehicle, and general liability insurance cost it 15 cents a share last year. Stanline is seeing an eight to 10 percent increase in insurance premiums for its current fiscal year.

And at Moore-Handley, chairman William Riley reported that insurance costs rose "drastically" this year and last.

Wholesaler Net Margins

Company	1Q '87	1Q '86
Hughes Supply	2.0%	1.8%
Moore-Handley	1.5	1.7
Palmer G. Lewis	0.6	0.2
Stanline	3.0	2.6

Source: Company reports — *NHCN* chart

Negotiating with insurance carriers to get more bang (in terms of benefits) for the increased buck (in premiums) is one way wholesalers are approaching the problem.

But there are other approaches. "We try to show insurance companies we are fostering safety with training seminars in the warehouse for equipment and handling personnel," says Johnson of Stanline.

The greater market pressures that have affected retailers have had a corresponding effect on the wholesalers that serve them. Some players seem to have taken steps to fine tune their merchandise mix to respond to the pressure with higher margin items. Others still face the task.

Hughes Supply increased its gross margin to 20.4 percent for this year's first quarter, from 18.9 percent for the first quarter last year. That was a compelling force driving its net margin from 1.8 percent for the first quarter of 1986 to 2.0 percent for this year's opening quarter. Stanline, too, reported better gross margins this year to bolster net margins to 3.0 percent from 2.6 percent last year.

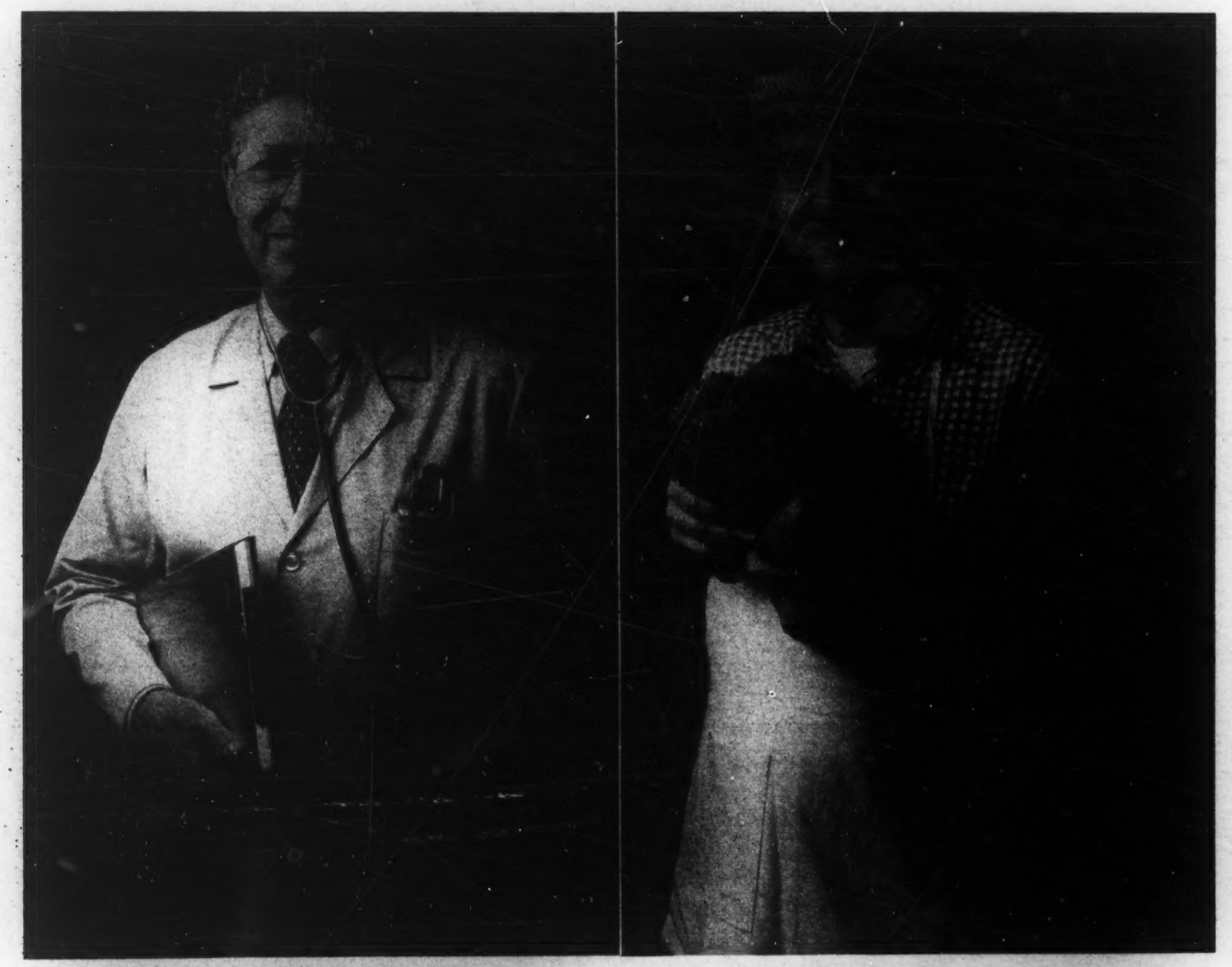
On the other hand, Palmer G. Lewis reported an average gross margin of 16.7 percent for the last quarter—well below the 20 percent or so average for the firms.

"Other companies are doing what we're trying to do," explains Anderson. That means either getting out of some of the commodity items, or adding some higher margin specialty items.

* * * * *

The bottom line—Some 29 percent of consumers described business conditions as "good" in June. That's up from 22 percent the month before, according to the Conference Board, New York.

This space contributed as a public service.



FOR THE BEST DEFENSE AGAINST CANCER, SEE HIM ONCE A YEAR.

AND HIM ONCE A WEEK.

He may not look like everybody's idea of a cancer specialist.

But there's strong evidence that your greengrocer has access to cancer protection you won't find in any doctor's office.

Like broccoli. Peaches. Canteloupes. Spinach. And other sources of Vitamin A related to lowering the risk of cancer of the larynx and esophagus. Not to mention sweet potatoes, carrots, pumpkin, winter squash, tomatoes, citrus fruits and brussels sprouts.

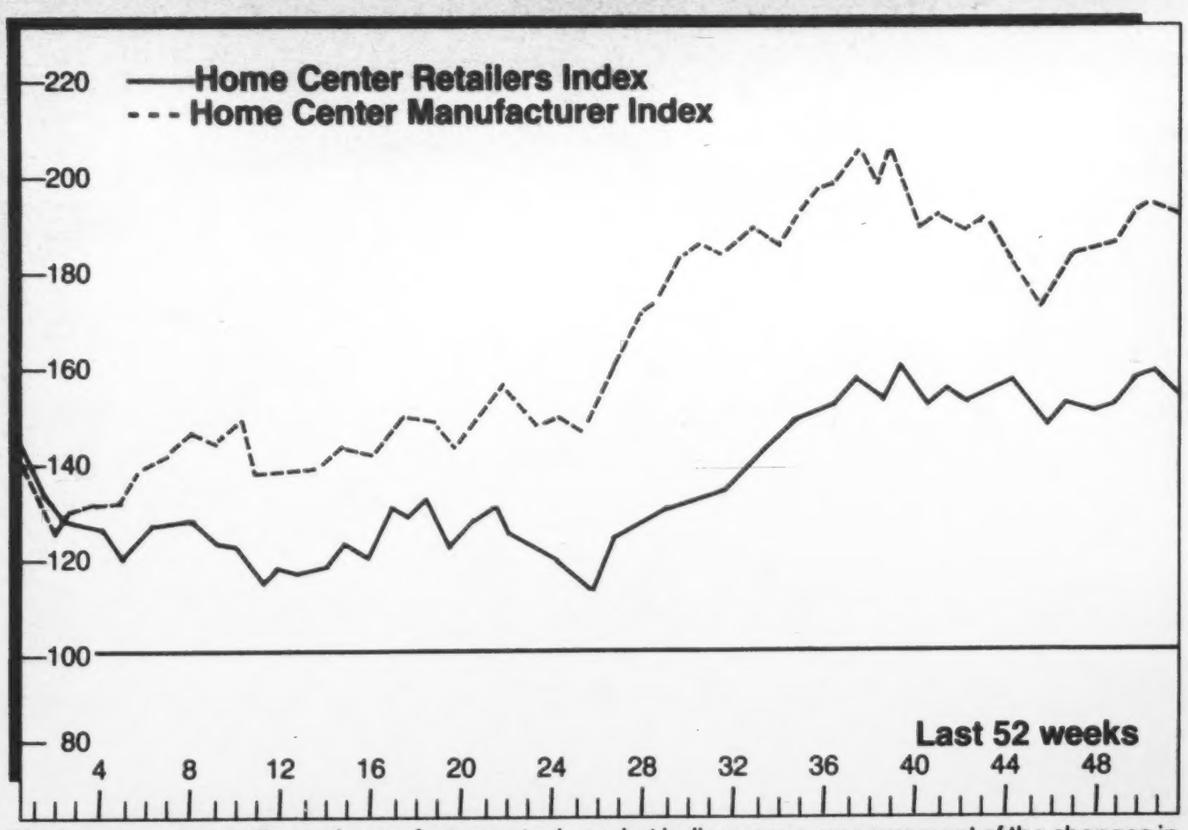
Vegetables such as cabbage, broccoli, brussels sprouts, kohlrabi and cauliflower may help reduce the risk of gastrointestinal and respiratory tract cancer.

Fruits and vegetables (and whole grain cereals such as oatmeal, bran and wheat) may help lower the risk of colorectal cancer.

In short, make sure you do what your mother always told you to do. Eat your vegetables.

AMERICAN CANCER SOCIETY

FINANCIAL NEWS

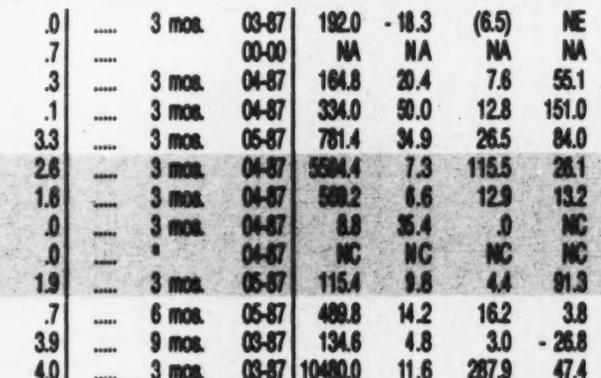


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on July 10, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
7-10-87	(100)	%	%
Am Consum Prods ..... M	3,540	573.6	16.7
Pay n Pak ..... N	48,734	554.0	- .6
Clairson Intl ..... M	6,678	451.3	- 1.6
Newell Co ..... N	4,764	320.2	5.1
Certain-teed ..... N	5,024	278.6	4.6
Stanley Inc ..... M	1,128	267.4	8.9
Grossman's Inc ..... M	2,906	262.5	- 6.7
Std Brd Prt ..... N	5,681	210.4	7.4
Zayre Corp ..... N	75,021	195.1	11.2
PPG Inds ..... N	38,178	156.0	1.8

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 7-10	2-Week Price Change	Total 2-Week Volume
7-10-87	$	%	(100)
Am Consum Prods ..... M	12.25	16.7	3,540
Cmns Corn ..... N	26.75	14.4	31,318
Zayre Corp ..... N	31.13	11.2	75,021
Stanley Inc ..... M	12.25	8.9	1,128
Am Standard ..... N	45.75	8.9	6,852
Std Brd Prt ..... N	25.38	7.4	5,681
Triangle Ind ..... N	38.63	6.9	9,986
Macmillan Bloedel ..... M	20.75	6.4	8,676
Inalco Corp ..... N	24.00	5.5	5,882
Newell Co ..... N	38.50	5.1	4,764
Losers	$	%	(100)
USG Corp ..... N	33.63	- 9.4	11,099
Grossman's Inc ..... M	8.75	- 6.7	2,906
Georgia-Pacific ..... N	43.13	- 6.5	31,385
La Pacific ..... N	29.75	- 6.3	11,150
Moore Handley ..... M	8.00	- 5.9	539
Potlatch Cp ..... N	31.50	- 5.6	4,494
Hechinger A ..... M	22.00	- 5.4	5,287
Hechinger B ..... M	22.25	- 5.3	440
Payless Cash ..... N	22.50	- 5.3	15,909
Nat'l Hardgoods ..... M	7.25	- 4.9	140

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 7-10-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Grossman's Inc ..... M	8.75	- .63	- 6.7	9.50	8.75	11.25	6.75	2,906	1.45	.40	262.5	NE	.00	.0	.....	3 mos.	03-87	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A ..... M	22.00	- 1.25	- 5.4	22.75	22.00	24.25	16.00	5,287	4.84	2.90	66.9	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	22.25	- 1.25	- 5.3	23.25	22.00	24.75	16.25	440	.27	.38	- 28.9	22.3	.06	.3	.....	3 mos.	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot ..... N	33.00	- .75	- 2.2	34.38	32.50	37.00	15.88	11,092	3.99	2.88	38.5	29.2	.02	.1	.....	3 mos.	04-87	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc ..... N	49.00	2.38	5.1	49.50	44.50	49.50	36.63	9,117	3.19	2.26	41.2	14.9	1.60	3.3	.....	3 mos.	05-87	761.4	34.9	26.5	84.0	.82	34.8	761.4	34.9	26.5	84.0	.82	34.8
K mart Cp ..... N	44.13	.75	1.7	45.25	42.00	45.34	28.84	40,830	2.04	1.56	30.8	14.3	1.16	2.6	.....	3 mos.	04-87	5594.4	7.3	115.5	28.1	.57	21.3	5594.4	7.3	115.5	28.1	.57	21.3
Lowe's Cos ..... N	26.88	- .50	- 1.8	27.88	26.75	33.13	22.50	6,758	1.71	1.45	17.9	18.8	.44	1.8	.....	3 mos.	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Nat'l Hardgoods ..... M	7.25	- .38	- 4.9	8.00	7.13	10.00	6.88	140	1.14	1.00	14.0	10.4	.00a	.0	.....	3 mos.	04-87	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Nat'l Lumber ..... M	5.00	.00	.0	5.50	5.00	7.50	4.00	318	.56	.43	30.2	NE	.00	.0	.....	*	04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak ..... N	20.75	- .13	- .6	21.50	20.75	21.50	9.50	48,734	48.72	7.45	554.0	26.6	.40	1.9	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash ..... N	22.50	- 1.25	- 5.3	24.00	21.88	26.88	15.88	15,909	4.59	1.92	139.1	17.7	.16	.7	.....	6 mos.	05-87	469.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc ..... N	13.50	- .25	- 1.8	14.25	13.38	16.50	12.00	923	.64	.59	8.5	18.2	.52	3.9	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck ..... N	50.25	- 1.63	- 3.1	51.88	50.00	56.00	39.00	63,756	1.71	1.11	54.1	13.1	2.00	4.0	.....	3 mos.	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Std Brd Prt ..... N	25.38	1.75	7.4	26.13	23.00	27.00	19.38	5,681	5.06	1.63	210.4	19.1	.60	2.4	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Strober Organiz ..... M	12.00	- .38	- 3.0	12.50	12.00	15.25	10.50	523	.87	.74	17.6	12.0	.00	.0	.....	3 mos.	03-87	21.3	19.0	1.0	42.9	.17	21.4	21.3	19.0	1.0	42.9	.17	21.4
Superior Gas ..... N	40.13	.63	1.6	40.25	39.25	46.75	22.50	7,731	2.01	4.80	- 58.1	26.2	.28	.7	.....	3 mos.	04-87	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes Cos ..... A	4.38	- .13	- 2.8	4.50	4.00	5.88	3.13	47,006	1.98	1.89	4.8	7.3	.00	.0	.....	3 mos.	04-87	1540.4	54.8	82.7	426.8	.34	1600.0	1540.4	54.8	82.7	426.8	.34	1600.0
Weldon Lumber ..... M	14.38	- .38	- 2.5	14.63	14.38	15.00	7.50	1,158	1.98	1.41	40.4	13.1	.20	1.4	.....	3 mos.	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp ..... N	31.13	3.13	11.2	31.63	27.25	39.00	20.75	75,021	12.72	4.31	195.1	19.1	.40	1.3	.....	3 mos.	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers																													
Hughes Supply ..... N	27.88	1.25	4.7	27.88	26.50	28.38	20.63	438	1.33	.97	37.1	13.0	.40	1.4	.....	3 mos.	04-87	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4
Moore Handley ..... M	8.00	- .50	- 5.9	8.75	8.00	15.75	6.75	539	2.15	1.43	50.3	17.8	.00	.0	.....	3 mos.	03-87	23.6	15.7	.3	.0	.14	- 30.0	23.6	15.7	.3	.0	.14	- 30.0
Lewis Palmer ..... M	8.63	- .13	- 1.4	8.75	8.38	9.88	7.25	1,128	2.82	1.55	81.9	21.6	.28	3.2	.....	3 mos.	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanley Inc ..... M	12.25	1.00	8.9	13.50	11.50	13.50	7.84	1,128	6.65	1.81	267.4	11.6	.32b	2.6	.....	6 mos.	04-87	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers																													
Am Consum Prods ..... M	12.25	1.75	16.7	12.50	10.50	12.25	8.50	3,540	18.39	2.73	573.6	18.6	.00	.0	.....	3 mos.	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard ..... N	45.75	3.75	8.9	46.63	41.63	51.88	36.00	6,852	2.06	.87	136.8	9.9	1.80	3.9	.....	3 mos.	03-87	779.7	15.3	21.6	- 57.0	.85	- 50.0	779.7	15.3	21.6	- 57.0	.85	- 50.0
Am Woodmark ..... M	15.00	.13	.8	15.25	14.88	17.13	10.00	752	1.09	.49	122.4	14.9	.00	.0	.....	fiscal	04-87	29.3	20.1	1.5	25.0	.22	- 4.3	115.8	18.9	6.8	51.1	1.01	12.2
Armstrong Wrld ..... N	35.75	- .50	- 1.3	36.63	36.00	44.00	24.88	13,375	2.81	1.41	99.3	13.5	.90	2.4	.....	3 mos.	03-87	541.1	25.6	31.9	39.3	.67	38.6	541.1	25.6	31.9	39.3	.67	38.6
Black & Decker ..... N	24.63	1.13	4.8	24.88	22.88	24.88	14.50	24,719	4.25	3.03	40.3	41.0	.40	1.6	.....	6 mos.	03-87	438.7	5.7	9.2	475.0	.16	700.0	967.7	3.3	31.6	40.4	.54	25.6
Boise Cascade ..... N	72.00	- 2.75	- 3.7	75.25	71.50	86.88	51.50	7,358	2.52	2.36	6.8	18.9	1.90	2.6	.....	3 mos.	03-87	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed ..... N	42.88	1.88	4.6	42.88	41.25	42.88	24.63	5,024	2.65	.70	278.6	13.3	1.00	2.3	.....	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl ..... N	36.00	- 1.38	- 3.7	37.38	35.50	43.50	22.50	22,458	2.39	2.27	5.3	14.6	.84	1.8	.....	3 mos.	03-87	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
Clairson Intl ..... M	15.75	- .25	- 1.6	16.50	15.75	18.25	10.25	6,678	13.12	2.38	451.3	32.8	.00	.0	.....	6 mos.	03-87	18.9	33.1	.8	60.0	.17	30.8	35.2	23.9	1.0	11.1	.22	- 12.0
Cooper Indus ..... N	62.50	1.88	3.1	64.25	58.88	64.25	35.63	14,792	3.06	1.32	131.8	20.4	1.68	2.7	.....	3 mos.	03-87	800.5	- 7.6	27.6	7.0	.56	5.7	800.5	- 7.6	27.6	7.0	.56	5.7
Dallas Inc ..... N	38.63	.13	.3	39.63	38.25	43.75	34.25	713	1.80	.81	122.2	46.6	1.40	3.5	.....	3 mos.	03-87	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Eckert Corp ..... N	45.38	.13	.3	45.63	44.63	45.75	30.75	4,100	1.32	.71	85.9	NE	1.40	3.1	.....	3 mos.	03-87	602.6	18.2	28.0	46.6	.90	32.4	602.6	18.2	28.0	46.6	.90	32.4
Georgia-Pacific ..... N	43.13	- 3.00	- 6.5	46.00	42.63	52.75	28.00	31,385	2.92	2.25	29.8	13.7	1.00	2.3	.....	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Inalco Corp ..... N	24.88	1.25	5.5	24.25	22.50	26.25	17.38	5,882	2.83	1.11	155.0	14.7	1.00b	4.2	.....	3 mos.	03-87	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific ..... N	29.75	- 2.00	- 6.3	32.00	28.75	39.63	22.00	11,150	2.94	1.86	58.1	13.8	.80b	2.7	.....	3 mos.	03-87	422.9	31.1	16.3	1084.3	.43	975.0	422.9	31.1	16.3	1084.3	.43	975.0
Macmillan Bloedel ..... M	20.75	1.25	6.4	21.38	20.00	22.38	8.44	8,676	.85	.95	- 10.5	NA	.42	NA	.....	3 mos.	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp ..... N	3.75	- .13	- 3.2	3.88	3.63	5.38	1.63	8,231	3.43	4.40	- 22.0	1.0	.00	.0	.....	3 mos.	03-87	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp ..... N	34.88	.25	.7	36.38	33.38	40.88	23.50	21,865	1.69	.90	87.8	21.4	.40	1.1	.....	3 mos.	03-87	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0
Mor-Flo Inds ..... M	11.75	.00	.0	12.25	11.50	16.25	11.50	99	.40	.59	- 32.2	40.5	.01	.1	.....	3 mos.	03-87	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co ..... N	38.50	1.88	5.1	39.00	35.75	39.75	24.00	4,764	4.16	.99	320.2	17.2	.84	2.2	.....	3 mos.	03-87	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Nortek Inc ..... N	14.13	- .13	- .9	14.25	13.63	17.38	11.75	2,467	1.51	.85	77.6	6.5	.10	.7	.....	3 mos.	03-87	290.4	77.7	9.2	- 5.2	.57	- 40.0	290.4	77.7	9.2	- 5.2	.57	- 40.0
Owens Corn ..... N	26.75	3.38	14.4	26.75	22.63	32.38	8.88	31,318	8.36	3.56	134.8	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	15.88	- .50	- 3.1	16.75	15.88	18.13	10.00	1,295	1.61	.91	76.9	16.7	.12	.8	.....	3 mos.	03-87	70.6	38.5	3.3	65.0	.29	11.5	70.6	38.5	3.3	65.0	.29	11.5
Pope & Talbot ..... N	21.00	.00	.0	22.00	20.63	24.50	8.88	1,971	1.64	1.38	18.8	10.9	.44	2.1	.....	3 mos.	03-87	100.3	35.4	6.7	NE	.55	NE	100.3	35.4	6.7	NE	.55	NE
Potlatch Cp ..... N	31.50	- 1.88	- 5.6	33.75	30.50	41.88	24.25	4,494	1.69	1.41	19.9	11.9	.84	2.7	.....	3 mos.	03-87	248.6	6.6	17.8	30.9	.63	31.3	248.6	6.6	17.8	30.9	.63	31.3
PPG Inds ..... N	49.38	.88	1.8	51.25	45.50	53.50	29.63	38,178	3.20	1.25	156.0	17.6	1.08	2.2	.....	3 mos.	03-87	1260.8	10.9	86.9	25.6	.73	23.7	1260.8	10.9	86.9	25.6	.73	23.7
Sherwin-Wms ..... N	34.75	- 1.00	- 2.8	35.50	34.25	38.50	22.75	7,128	1.58	.82	92.7	14.9	.56	1.6	.....	3 mos.	03-87	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works ..... N	33.63	- .63	- 1.8	35.75	33.38	35.88	23.19	2,982	.70	.58	20.7	17.2	.76	2.3	.....	3 mos.	03-87	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds ..... N	19.88	.25	1.3	20.13	19.50	22.63	15.50	767	.77	.38	102.6	14.8	.68b	3.4	.....	3 mos.	03-87	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
Triangle Ind ..... N	38.63	2.50	6.9	39.38	35.50	39.75	21.50	9,986	5.86	2.35	149.4	14.5	.12	.3	.....	3 mos.	03-87	912.2	88.5	6.3	96.9	.20	100.0	912.2	88.5	6.3	96.9	.20	100.0
Union Camp ..... N	43.13	1.25	3.0	43.13	40.75	46.19	28.84	13,113	1.78	1.47	21.1	20.8	1.16	2.7	.....	3 mos.	03-87	537.0	8.5	44.2	100.9	.80	166.0	537.0	8.5	44.2	100.9	.80	166.0
USG Corp ..... N	33.63	- 3.50	- 9.4	37.00	33.13	46.88	31.00	11,099	2.12	1.03	105.8	7.7	1.12	3.3	.....	3 mos.	03-87	663.2	11.4	85.0	64.4	1.85	160.7	663.2	11.4	85.0	64.4	1.85	160.7
Walter, Jim ..... N	58.38	.25	.5	58.38	51.00	62.25	40.38	8,000	2.58	1.85	53.3	12.2	1.40	2.6	.....	9 mos.	05-87	610.4	- 2.6	48.7	21.3	.74	- 54.3	1718.8	.8	112.6	27.2	2.77	- 8.9
Western Ind ..... M	10.00	- .25	- 2.4	10.25	10.00	13.25	6.94	249	.36	.51	- 37.7	21.3	.08	.8	.....	9 mos.	03-87	NC	NC	(.9)	- 100.0	(.10)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser ..... N	46.63	- 2.25	- 4.6	51.00	47.88	69.00	30.50	44,991	3.30	1.88	85.3	20.7	1.20	2.7	.....	3 mos.	03-87	1917.3	23.8	101.9	103.8	.75	141.9	1917.3	23.8	101.9	103.8	.75	141.9

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Latest 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

8/13/87 C 5150-6

National Home Center News®

Vol. 13, No. 16 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 10, 1987

Payless, bank may settle $600 million credit suit

By Gary S. Ruderman
NHCN staff editor

KANSAS CITY, Mo. — A meeting planned for later this month between Payless Cashways and Mercantile Bank, St. Louis, could pave the way to an out-of-court settlement in a $600 million lawsuit filed by Payless against the bank.

In its suit filed June 10, Payless charges breach of contract and four other counts because, Payless alleged, Mercantile made changes in administering Payless' private-label charge card, which last year accounted for 12 percent of the retailer's $1.5 billion in sales.

To halt the changes deemed detrimental to its customers,

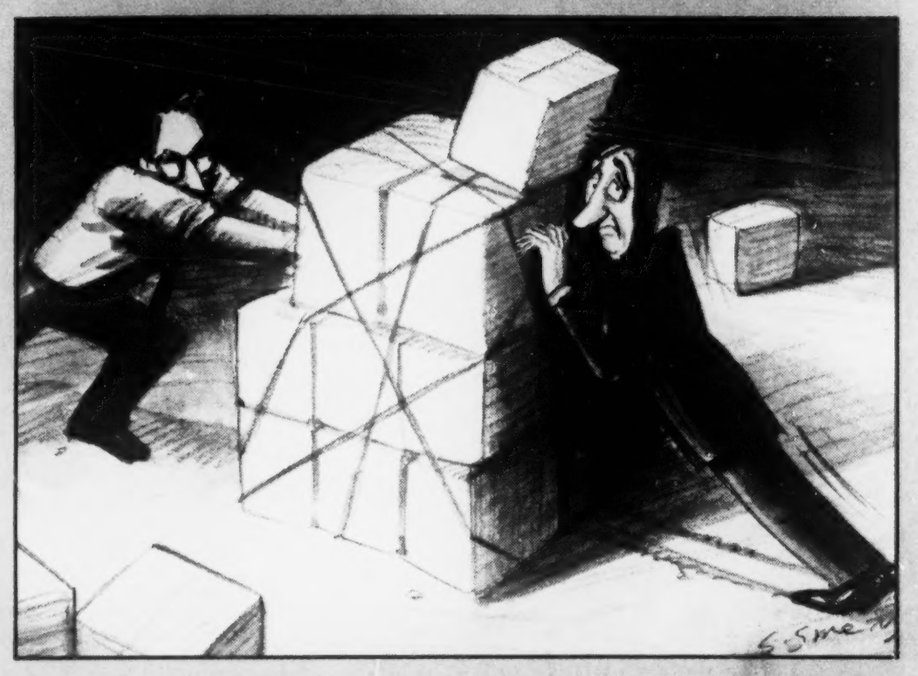
(Continued on page 217)

Buybacks cause strain in dealer-vendor relations

By John Caulfield
NHCN staff editor

NATIONAL REPORTS — "When you have a lot of crap on your shelves that you can't get rid of, then the buyback by the new vendor is in order," notes John Breedlove, senior vp-merchandising for the 190-store Payless Cashways, Kansas City, Mo.

The president of one of the industry's largest plumbing suppliers views buybacks differently: "A lot of times, the practice is unethical because the big vendors are getting their merchandise into stores not on the merits of the product but on their ability to absorb the cost of the buyback."



"There is nothing socially redeeming about buybacks, and I have yet to see a case where it created *more* sales for the dealer," added the vp-sales for another plumbing supplier. "Home center dealers don't have a system for phasing merchandise in and out of their stores and are being practical, but where's the ultimate benefit?"

Buybacks—the practice of a supplier purchasing another vendor's merchandise to get his company's product into a retail store—are the bargaining chip on which vendor-dealer negotiations often hinge.

However, several vendors and even some dealers are beginning to question whether the pendulum has swung too far and whether buybacks are eroding vendor-dealer relations too deeply. "There are no guarantees of an ultimate payoff," said the national sales manager for a major adhesives and sealants supplier. "And manufacturers are assuming all the risks in this."

(Continued on page 200)

FTC ruling could stall co-op money distribution

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Home centers wheeling and dealing for favorable co-op advertising terms this season may be in for a shock.

Because of a ruling from the Federal Trade Commission, manufacturers may now withhold co-op rebates to retailers who advertise discounts on items that have suggested retail prices.

The ruling from the FTC reverses a long-standing policy that manufacturers may not design co-op advertising programs that discriminate in terms of advertised prices.

While vendors haven't yet announced rebate programs with terms tied to discount pricing, many industry observers feel the bad news will come this fall, the time of year when details of the following year's co-op programs are often released.

Home centers expressed dismay at the FTC ruling, with many calling it tantamount to "retail price maintenance."

(Continued on page 218)

High insurance rates level off but retailers still feeling effects

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — The insurance crisis that precipitated inflated premiums two years ago has ended, but some lumber and building material dealers insist that commercial, fire and casualty rates, although lower, are still too high.

"I think rates have topped out," said Don Panell, president of Home Aid Lumber Co., Prague, Okla., who operated his company for four years without fire insurance because he couldn't afford it, "and they may have started down, but these rates are still much too high.

"When insurance salesmen come through here, I don't let them analyze my yard. I just tell them, 'Don't sell me what I need, sell me what I can pay for.' "

Charles Potuzak, whose fire insurance carrier cancelled his company's policy with six months remaining when fire destroyed the main yard of the Wheat Ridge Lumber Co. in Denver, agreed that rates are still financially draining.

"It's not a buyers' market out there yet," Potuzak said. "It's true that rates have stopped going up, but they are not coming down either."

Despite the lumbermen's view, insurance executives insist that the worst is over and that rates, although not decreasing, are far from the 300 percent and 1,000 percent annual increases that were levied between 1984 and 1985.

These executives report that the high premium rates have allowed companies to restore their profitability and to replenish their reserve funds, which are used to satisfy claims. As both financial goals have been reached, insurers have been less pressured to pursue high premiums.

Harvey Seymour, a spokesperson for the Insurance Information Institute (III), an insurance industry think-tank

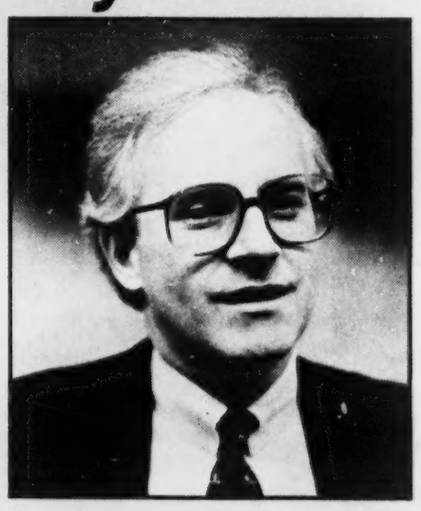
(Continued on page 194)

Busy Beaver mgmt. plans to buy firm

By an NHCN staff editor

PITTSBURGH — The management of Busy Beaver Building Centers has reached an agreement to purchase the company from its parent, Dixons Group, of London.

"We are now working with Dixons to move to a formal agreement," noted Tom Herward, vp marketing and merchandising at Busy Beaver. The company operates 14 retail units in western Pennsylvania, eastern Ohio and Buffalo, N.Y.



Tom Herward

"The intention is that Busy Beaver will be a privately owned company," added Herward, respond-

(Continued on page 218)

INSIDE

Wave of manufacturer consolidation promises retailers one-stop shopping 29

The changing role of the home center buyer 135
Dealers try to keep pace with RTA 146

NEWSBREAKS

ANDERSONS SLATE 4TH HYPERMARKET: The Andersons will open a 135,000-square-foot combination home center and food specialty store Sept. 1 in Worthington, Ohio.

MR. GOODBUYS TO DELAWARE: Mr. Goodbuys chain, will move into the Delaware market for the first time with a store in Wilmington by early 1988. The 13-unit chain plans a total of five store openings by then, including two stores in Long Island, one in Woodbridge, N.J., and a replacement store in Baltimore.

INDUSTRY UPDATE

Wickes to list stock on NYSE

SANTA MONICA, Calif. — Wickes Cos. said it had reached an agreement to list its stock on the New York Stock Exchange beginning Aug. 12, one day after the stock would cease trading on the American Stock Exchange.

The switch of exchanges is to occur concurrently with a 1-for-5 reverse stock split which was approved earlier by shareholders. (*NHCN*, July 13.)

Farrah made SportsClub pres.

LOS ANGELES — Pat Farrah, one of the original founders of The Home Depot, has returned to another warehouse retailing concept.

Last month, Farrah was appointed president and a board member of All American SportsClub, the sporting goods warehouse chain founded by former HomeClub president Bob McNulty.

SportsClub operates seven 60,000-square-foot warehouse stores containing 12,000 skus.

"After 25 years, lumber and building materials began to wear on me," Farrah said, speaking of his career in that field. "But this is a fresh and exciting product mix, even though there are some tremendous parallels."

Masco buys 3 furniture cos.

By an NHCN staff editor

DETROIT — Masco Corp., a diversified maker of home furnishings, has agreed to purchase three furniture companies with combined sales of $200 million.

The companies to be acquired by the $1.5 billion company are Lexington Furniture Industries, Lexington, N.C.; Maitland-Smith Ltd., Hong Kong; and Marge Carson Inc., Los Angeles.

Masco did not disclose the amount paid but said the acquisitions would be made in cash and stock.

The announcement, made on July 28, was the latest in an ongoing program. Masco is the parent company of well-known firms like Weiser Lock, Peerless, Delta and Merillat cabinets. The latest acquisition promises to further the firm's inroads into the retailing scene.

Its acquisitions, it appears, are part of a great wave of industry consolidation that promises to change the way home centers buy merchandise.

One order...one shipment...one invoice...this is the promise of a manufacturing industry hoping to satisfy the retailer dream of product diversification and single sourcing.

For an in-depth look at manufacturer consolidation, see the special section starting on page 29 of this issue.

Central Hardware profits rise

ST. LOUIS — INTERCO, the parent company of Central Hardware, reported a 15 percent rise in first quarter sales in its General Retail Merchandising Group when compared to the same reporting period last year.

"The do-it-yourself, home improvement segment led this group's profitability growth," said the firm in a prepared statement.

Sales for the segment were $148.1 million, compared to $129.1 million during the same operating period last year. Earnings grew from $11 million in first quarter 1986 to $14 million this year.

Sales for Interco as a whole reached $781.4 million for the quarter that ended May 31, up from $659.7 million for the same period in 1986.

Takeover bids affect stocks

NEW YORK — Takeover bids led the way toward double-digit increases in the values of stocks for Jim Walter (which was up 37 percent) and Standard Brands Paint (which was up 14.3 percent), for the two-week period ended July 24.

For the broad group of home center stocks tracked by *NHCN*, 27 increased in price, 26 dropped and five remained unchanged.

Hechinger A advanced 9.1 percent to $24.00.

Scotty's increased 5.6 percent to $14.25.

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Available for calls 9-5:30 (E.S.T.)

Grossman's will use offering proceeds to buy back debentures

By an NHCN staff editor

BRAINTREE, Mass. — An offering of 11 million shares of Grossman's Inc. was expected to be completed by July 31, and the company plans to use the proceeds from its portion of the sale to buy back outstanding debentures.

The debentures were issued at 13% and 14% as part of the bankruptcy reorganization of Evans Products. Evans was Grossman's corporate parent. By buying the debentures, Grossman's will be paying out less and can use the cash saved for other purposes.

Some 6,131,347 shares are being offered by Grossman's. Another 4,868,653 shares are being offered by creditors who received the stock as part of the Evans' reorganization.

The creditors' stock is part of 15 million shares that were issued under the reorganization plan. Those shares must be publicly offered before they can be traded.

Some 5 million shares, issued to Evans' trade creditors have been trading since they were issued.

Shearson Lehman Brothers Inc., the selling agent for the offering, priced the shares at $8 each. On July 23, they were trading through Nasdaq at $8.75. If all the shares are sold, Grossman's will have 25 million shares outstanding.

Shearson is selling the shares on a best-effort basis, which means Grossman's will not receive the money from the sale until all the shares are sold.

In most offerings, the offering broker pays the company for the shares and then sells them.

But a spokesman for Shearson said such an arrangement could be construed as a major change in the ownership of the company, because for a period of time Shearson could be seen as the owner of the shares.

Under Internal Revenue Service regulations, that could limit Grossman's ability to apply its net operating loss tax loss carry foward, he said.

Ace gmm, Steve Hoag, resigns after 15 years

By an NHCN staff editor

OAK BROOK, Ill. — Steve Hoag, general merchandise manager of Ace Hardware Corp. for the last 16 months, resigned last month, citing "management differences and styles."

Hoag, 51, an Ace employee for 15 years, came from an Ace background at his family's south side Chicago store. He resigned his post July 15.

Frank Szymanek, Ace vp of merchandising and advertising and Hoag's superior, said at the end of July that no moves had been made to fill the gmm position, which involves responsibility for the day-to-day operations of Ace merchandising and the supervision of six managers. Szymanek said the resignation was over "philosophy problems."

Hoag said there were no "serious" disagreements between himself and Szymanek, but, "There were restrictions under which I had to work" that precipitated the resignation.

"I'm a company person and I accept management decisions, but that doesn't mean I agree with them," Hoag said from his suburban Chicago home.

Star's remodeling plans cater to women

By Kate Walter
Special to NHCN

WICHITA — Star Lumber & Supply Company is currently remodeling all three of its stores. The main store is nearing completion; the second will be finished this winter; and work on the third will begin this fall.

Rather than adding more floor space to the stores, the changes involve shifting existing departments, creating new departments, adding higher gondolas and building a hardware distribution center next to the main store.

"Our philosphy behind these renovations is to create a section just for our women customers," said Dave Gregory, advertising director. "Since we have a huge carpeting department, Star has a larger female clientele than most home centers. We're devoting the entire front to women."

In this area, Star Lumber is creating a new department—bath fashion—which will feature bathroom vignettes. Paints and wallpaper were moved to the front and now share this section with carpeting and kitchen vanities. Vinyl floor coverings are adjacent.

Paneling was previously in the front but was moved to the back to join building supplies and millwork. New items were added to the millwork department, which was entirely redone. The service counter was repositioned into the back section.

"We've really got the store set up so that, when a couple enters the store, you know where she's going to be heading and where he's going to be heading," said Gregory.

Another change is that all gondolas are now a minimum of five and a half feet; some are as tall as seven feet. (Many gondolas were previously only four and half feet.)

Star employees did the remodeling work, but an outside consultant was called in to redesign the new layout.

P.F. O'Connor to open new warehouse

By Elizabeth Brent
NHCN staff editor

BRAINTREE, Mass. — If things go as planned at P.F. O'Connor this November, the company could open what promises to be the nation's largest warehouse home center store.

The 300,000-square-foot store, called the P.F. O'Connor Building Material Warehouse, a Brewster Co., is scheduled to open in a former distribution center in Revere, Mass. The 600,000-square-foot building was purchased from Towle Manufacturing, a silver company, for $15.5 million on July 16, according to Patrick O'Connor, company president.

The purchase is an ambitious move by the nine-unit company which only entered the retail DIY arena in 1986 when it acquired the Providence, R.I.-based Brewster's stores. Previously, the company operated only "lean and mean" lumberyards concentrating exclusively on the builder customer.

The four stores gave the $74 million company experience in operating 10,000-square-foot stores carrying 10,000 stockkeeping units. The new store, with its 25,000 stockkeeping units displayed on 32-foot H frame racking, will be a different undertaking.

The Revere, Mass., site will allow P.F. O'Connor to tap the

(Continued on page 217)

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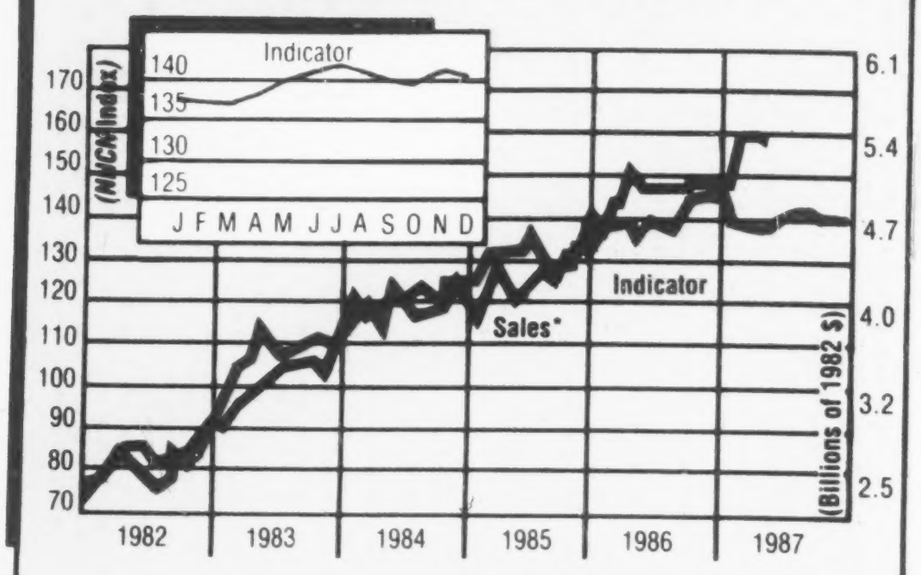


*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting building material sales to remain flat during the second half of 1987. Resales remained strong in the first quarter but the rise in mortgage rates suggests fewer starts and resales ahead.

Renovations expected to boost bldg. materials sales 4% in '87

By Richard E. Mount
Special to NHCN

Home improvements, including additions and alterations to existing homes, will be growing markets for building material retailers, helping boost sales 11 percent in dollar volume in 1987, six percent after inflation.

Additions and alterations

Spending for additions and alterations will rise about four percent this year after inflation. Additions include spending to enlarge the outside of an existing home while alterations are major renovations inside the home, such as converting one room to two.

Demand for additions and alterations will grow in 1987

Richard E. Mount

because of the rapid pace in new and existing home sales in 1983 and 1984, when the economy emerged from a recession.

After three to four years of ownership, homeowners typically begin major changes to their homes and this part of additions and alterations spending is coming into the market now. This year's four percent rise is on top of last year's 33 percent and will again push spending to a record high.

The new tax law permits the deductibility of interest payments for home improvements, while most other areas of consumer loans, including auto loans are excluded. By reducing the relative costs of home

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)	124.7	127.9	132.1	137.1	138.6	140.2	141.9	140.4	118.5	130.4	140.3
General Economic Outlook											
GNP $1982 Billion	3,655.9	3,661.4	3,686.4	3,696.1	3,739.4	3,746.0	3,764.5	3,782.1	3,585.2	3,675.0	3,758.0
Real Disposable Income $1982 Bil.	2,581.2	2,625.8	2,605.5	2,595.4	2,613.8	2,696.2	2,642.2	2,654.5	2,528.0	2,602.0	2,626.7
Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,695	1,560	1,550	1,575	1,733	1,762	1,595
Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,795	1,620	1,600	1,600	1,742	1,806	1,654
New Home Sales (000 SAAR)	791	794	685	712	723	640	650	675	688	749	672
Resales (000 SAAR)	3,256	3,470	3,615	3,927	3,617	3,600	3,500	3,500	3,214	3,565	3,554
Prime Rate %	9.4	8.6	7.9	7.5	7.5	8.1	8.5	8.5	9.9	8.4	8.2
Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	10.4	10.4	10.4	12.5	10.2	10.1
Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	335.0	339.0	343.0	347.2	322.1	328.3	341.1
Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.2	292.3	296.2	299.8	303.9	293.8	289.8	298.1
New Housing Affordability 1980-100)	128.6	129.4	126.1	128.9	129.2	127.3	119.3	118.8	117.6	128.3	123.7
Residential Alterations and Repairs											
Current Total $ millions SAAR	91,800	83,300	104,400	86,700	94,581	96,972	98,978	101,386	88,267	91,416	97,979
Maintenance and Repair	37,700	29,800	40,600	36,300	37,570	38,288	39,094	39,834	35,358	35,990	38,697
Additions and Alterations	33,900	39,600	44,700	35,400	39,318	40,538	41,334	42,647	28,775	38,662	40,959
Major Replacements	20,200	13,900	15,000	19,100	17,693	18,146	18,550	18,904	16,134	16,766	18,323
Constant Total Millions $1982 SAAR	83,655	74,114	96,100	83,969	86,600	87,910	88,840	90,100	74,614	84,459	88,363
Maintenance and Repair	34,355	26,514	38,900	33,569	34,400	34,710	35,090	35,400	32,864	33,334	34,900
Additions and Alterations	30,892	35,233	42,828	32,737	36,000	36,750	37,100	37,900	26,791	35,423	36,938
Major Replacements	18,408	12,367	14,372	17,663	16,200	16,450	16,650	16,800	15,180	15,702	16,525
Retail Trade Activity											
Current Total $ millions SAAR	1,414,624	1,431,108	1,486,596	1,485,648	1,472,336	1,511,155	1,534,076	1,553,925	1,379,621	1,445,875	1,517,873
Total Minus Automobile	1,104,376	1,109,508	1,122,908	1,133,900	1,157,804	1,166,438	1,188,030	1,202,138	1,067,762	1,117,943	1,178,602
Building Material, Hardware, Garden Supply, Mobile Home	86,136	87,528	88,884	89,488	91,328	95,373	96,917	97,384	75,556	88,009	95,250
Building Material and Supply	63,708	64,396	62,956	64,584	68,720	72,030	73,848	75,766	55,695	65,529	72,591
Hardware	10,500	10,884	11,832	11,748	12,204	12,466	12,668	12,828	10,397	10,700	12,542
Constant Total Millions $1982 SAAR	1,343,879	1,347,130	1,387,454	1,375,074	1,346,187	1,368,000	1,375,000	1,379,000	1,287,616	1,363,384	1,367,047
Total Minus Automobile	1,070,696	1,059,027	1,064,042	1,066,022	1,070,696	1,068,000	1,077,000	1,079,000	1,003,247	1,064,947	1,073,674
Building Material, Hardware, Garden Supply, Mobile Home	84,172	84,482	84,599	83,399	84,352	87,216	87,750	87,300	71,575	84,163	86,654
Building Material and Supply	64,340	62,149	59,924	60,188	63,469	65,350	65,750	66,200	52,705	61,650	65,192
Hardware	10,007	10,508	11,262	10,949	11,272	11,400	11,470	11,500	9,860	10,682	11,411
Building Materials % of Total Less Automobile ($Current)	5.77	5.80	5.61	5.70	5.94	6.18	6.22	6.30	5.22	5.86	6.16

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 26, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Renovations to boost bldg. materials sales 4% in '87

(Continued from page 16)
improvements to other types of spending, additions and alterations spending will rise.

Adjustable-rate mortgages represented about two-thirds of mortgages closed in mid-1984. At that time rates were running about 12 percent. Many of these loans are being adjusted now with rates falling to about 8.4 percent. As homeowners face lower mortgage payments each month, some of the increase in extra income will go into home improvements.

Spending for major repairs is likely to increase 11 percent this year, five percent after inflation. Major repairs are large expenditures for big jobs such as replacing an entire roof and installing siding.

Income gains will rise through the year. The decline in the dollar makes U.S.-produced goods more competitive on international markets, increasing domestic manufacturing and employment.

GNP gains will be rising in the second half of 1987 and into 1988. The drop in oil prices in early 1986 devastated the economies of energy-producing areas. Now that oil prices are edging up, states such as Texas, Oklahoma and Alaska will improve.

The recent surge in interest rates is past. Rates have declined since. With lower interest rates, rate-sensitive markets such as home improvements will grow.

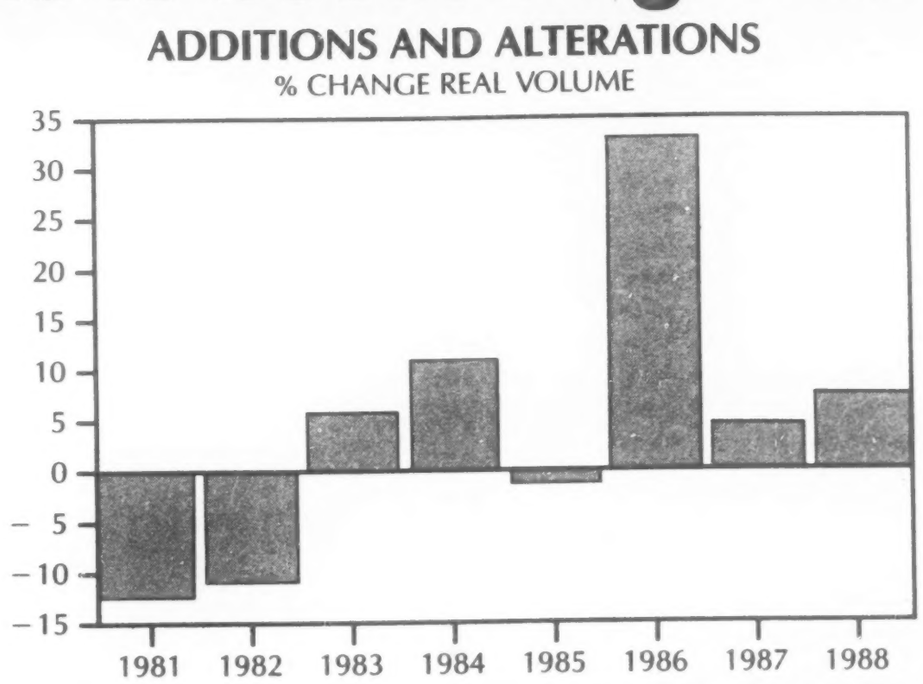
The best news for major replacement demand is that the housing stock is aging. Major replacements of roofs, heating systems and the like are needed after 15 to 20 years of service. The strength in housing from 1968 to 1973 (1972 was the all-time high for housing starts) provides a strong underpinning for major repair spending.

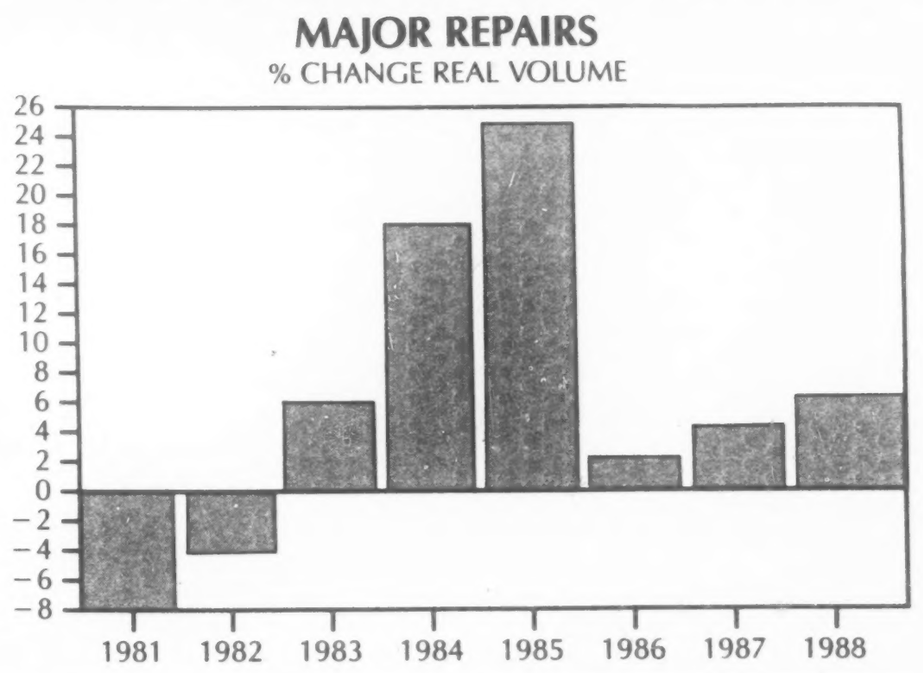
There are a few factors that will limit the rise of improvement spending.

Consumer debt remains a major problem. People will be increasingly wary of extending existing debt levels for home improvements, even if they are tax-deductible.

Economic growth, while rising will not be robust. GNP gains will be below three percent, the long-term average. Households in energy-and capital-goods-producing states are hard-pressed and the projected upturn in wages in these regions will be used to pay debt before a major acceleration in spending develops. Interest rates could begin to rise anew in the second half with the faster-paced economy keeping consumer spending somewhat in check.

Retail sales of building materials are expected to rise eleven percent this year, six percent after inflation. Among the many causes of this strong gain is strength in home improvements. Additions, alterations and major repairs will be rising because of the economy and prior levels of housing starts and resales. For retailers, 1987, like 1986, looks like another winning year.





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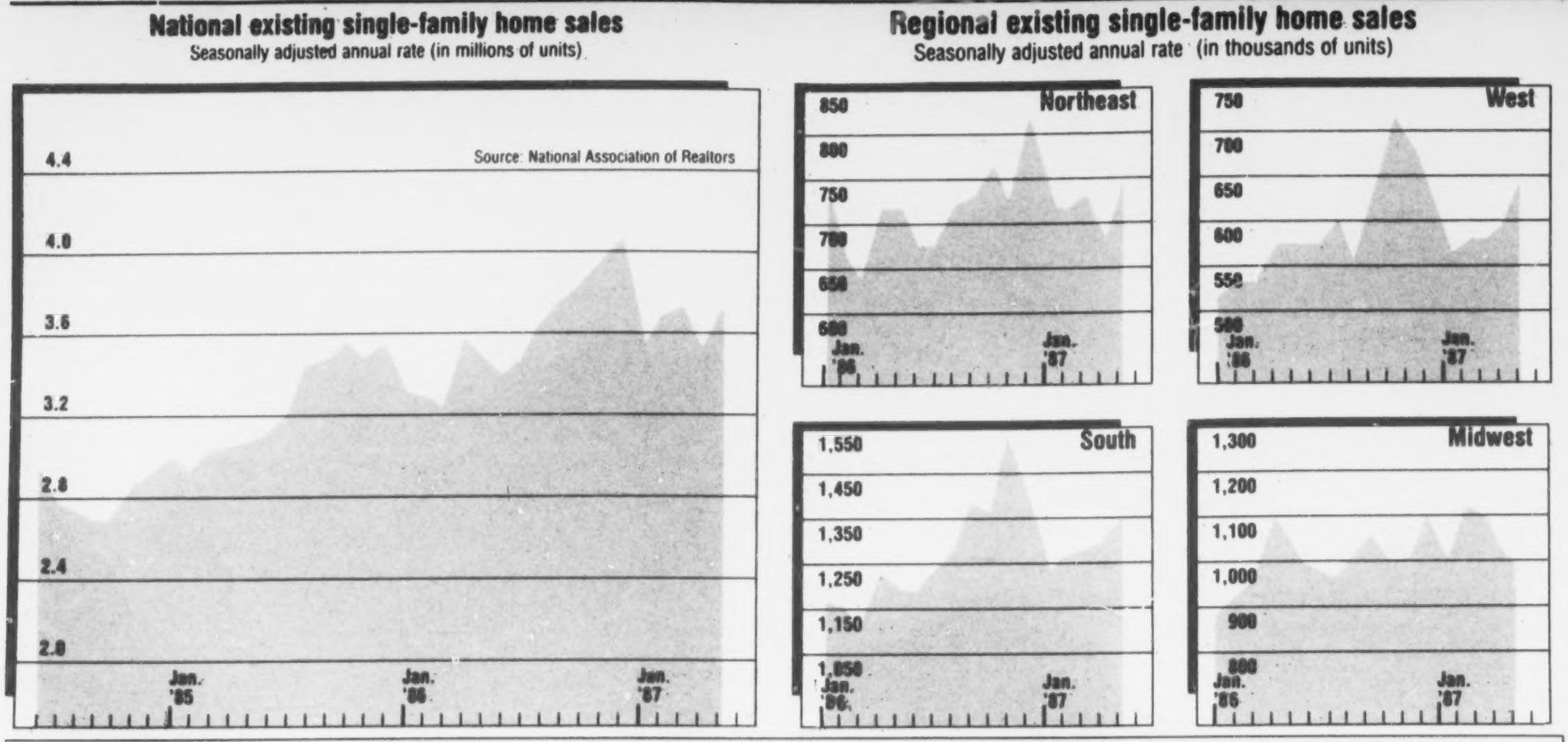
HOUSING WATCH



Home sales rise despite costlier mortgages

By an NHCN staff editor

Strong sales of existing single-family homes in May, coupled with a substantial decline in sales of new homes, could prove a boon for home centers in the coming months.

"What some buyers are deciding is that since they can't afford the new home they want, they're going to buy an existing home," said Liz Johnson, of the National Association of Realtors. "And that probably means there will be more fixing up out there."

Sales of existing single-family homes rose 5.1 percent from April to May, despite a .25 increase in mortgage rates. Sales were up 8.1 percent from this time last year.

On a seasonally adjusted annual basis, 3.74 million existing units were sold, compared to 3.46 million in May 1986.

But sales of new single-family homes dropped 14.9 percent in May, to 616,000 units. The sale pace was 20.7 percent below May 1986, when 777,000 homes were sold.

Median Sale Price
(in thousands of dollars)

	May[p]	April[r]	March	Feb.
U.S.	$ 85.4	$ 85.0	$ 85.6	$ 85.0
Northeast	134.0	129.4	128.2	125.4
South	66.8	66.7	83.7	82.1
Midwest	81.2	81.8	67.6	67.1
West	103.1	103.3	101.9	104.0

[p]-preliminary [r]-revised
Source: National Association of Realtors

The median price of existing single-family homes did increase slightly in May, to $85,400 from $85,000. But Johnson said she doubts the increase will slow sales.

The biggest jump was recorded in the Northeast, where the median price increased from $129,400 in April to $134,000 in May. Despite the price hike, 740,000 homes changed hands, 70,000 more than in April.

Prices were also up slightly in the Midwest, while sales were down. One million homes were sold at a median price of $66,800 each, some 30,000 fewer than were sold for $66,700 each in April.

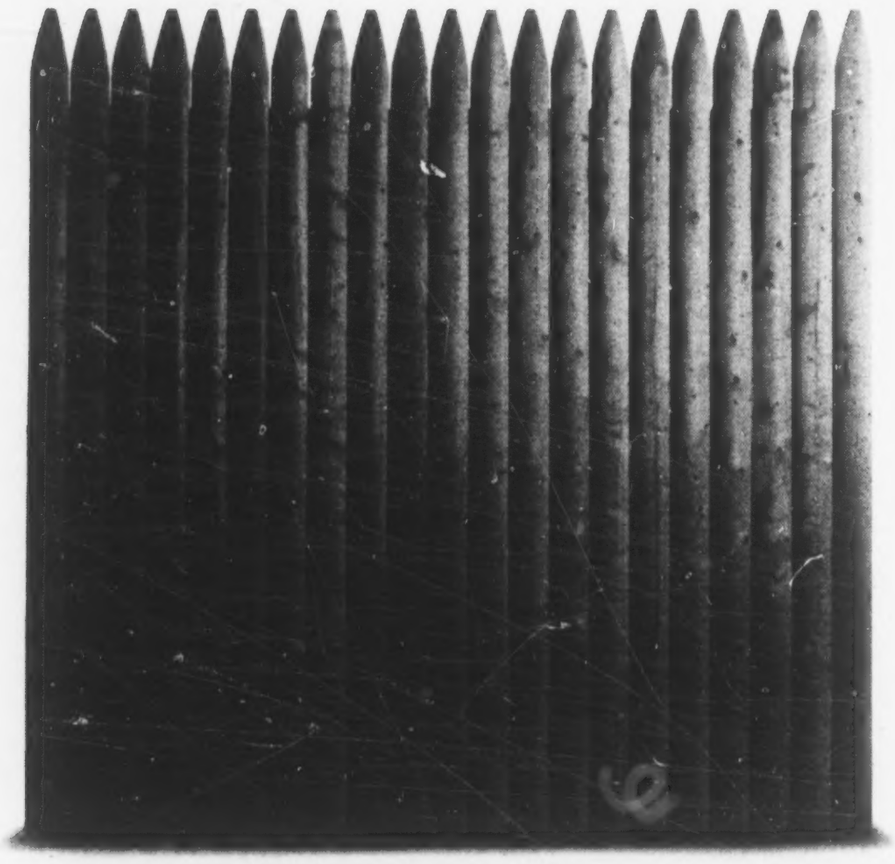
In the South, where prices dropped most, sales were the heaviest, with 80,000 more units sold in May than in April.

At a median price of $81,200, some 1,350,000 million units were sold. That compares to a median price of $81,800 in April, when 1,270,000 units sold.

In the West, sales increased by 50,000 to 640,000 homes from 590,000. The median price was $103,100, down slightly from $103,300 in April.

Johnson said the West is still adjusting to a real estate boom in the 1970s that pushed prices sharply higher. But she said the NAR does not expect prices to continue falling.

What's the biggest difference between these two fences?



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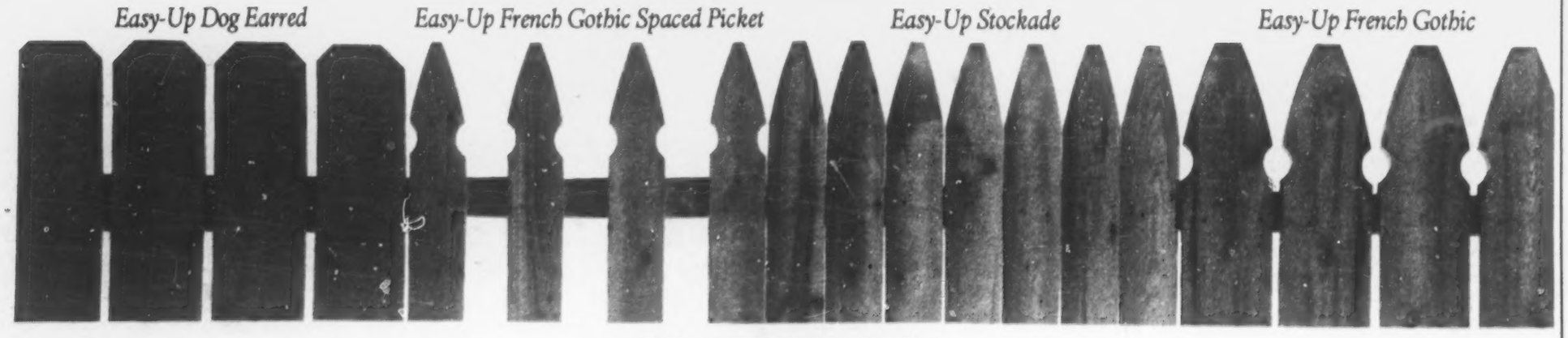

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LUMBER REPORT

Canada to impose 15% tax on lumber exports to U.S.

By an NHCN staff editor

OTTAWA, Ont. — Canada has officially passed into law the 15 percent tax on softwood lumber exports to the U.S., after nearly six months of fulfilling some arcane parlimentary rules unique to Canada.

Canada's customs and tax authorities are now empowered to enforce the export tax and have the power to conduct audits on companies that ship lumber to the U.S.

Under a U.S.-Canadian agreement made last December, exporters were expected to tax Canadian exports at 15 percent of the mill value and voluntarily make monthly returns to the taxing agencies.

Mislabeling investigated

But with the passage of the law, Canada's Department of National Revenue can now conduct audits to determine how diligent exporters have been. The audit can also result in retroactive penalties dating back to December.

Sheila McGuinn, of the Customs and Excise branch of the department of revenue, said letters will be sent to all exporters reminding them of their legal responsibilities.

The law will permit the tax divisions to investigate rumors that some companies have been avoiding the tax by mislabeling export documents as products that were not included in the agreement. Meanwhile, the group that pressured Canada to erect a tax rather than face a U.S.-imposed countervailing duty, the Coalition for Fair Lumber Imports (CFLI), seemed unmoved by the proclamation.

Months ago, the CFLI had charged the Canadians were reneging on the agreement.

In a terse statement, the Coalition said, "We're very pleased that they have completed the agreement."

The Canadian industry's most vocal marketing group—the Council of Forest Industries of British Columbia (CFIBC)—blasted the tax, despite its acknowledgement that there is little it can do to reverse the duty.

In a speech replete with both subtle and overt attacks on the 15 percent tax on Canadian lumber exports to the United States, T.M. Apsey, president and ceo of the CFIBC, warned that if lumber prices begin heading down during the imposition of the tax, companies will be forced to close mills.

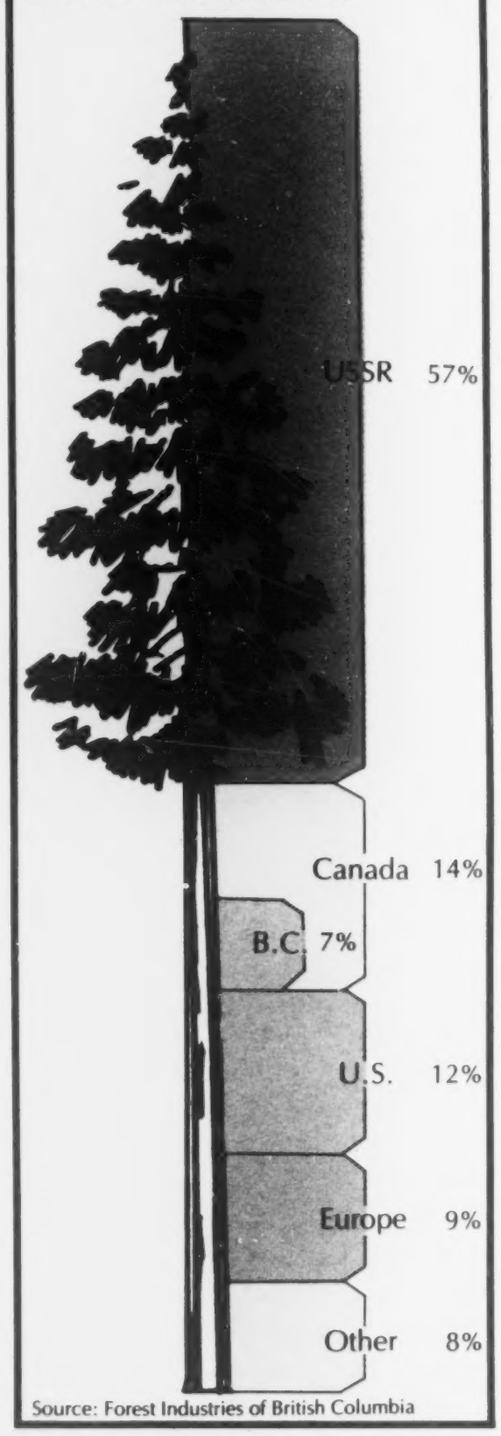
He said a recent study by the accounting firm of Price Waterhouse determined that the Canadian forest industry was less profitable from 1980 to 1985, the years when lumber producers in the U.S. lobbied for a countervailing duty.

"As you can imagine, this last piece of information is particularly galling to those of us in the industry, since it was as a result of the weeping and wailing of some of our U.S. competitors that the new 15 percent tax on Canadian lumber exports to the U.S. was imposed," Apsey said.

His comments were part of an assessment of the health of the Canadian forest industry, specifically, the British Columbian province, which accounts for nearly 60 percent of Canada's total lumber production and exports more than three-quarters.

SOFTWOOD GROWING STOCK

Chart shows percentage of that country's or region's worldwide volume of live softwood trees



Source: Forest Industries of British Columbia

"The imposition of the export tax and better returns means that the industry's total tax bill will probably exceed $1.8 billion in 1987," Apsey said.

"I'm not going to dwell in these remarks on how our industry regards the latest tax. We see it as unjustified, unfair and unnecessary, but all the arguments are history now."

Speaking before the Conference Board of Canada in Vancouver, Apsey's prognosis about the future of the Canadian forest industry was guardedly optimistic, tinged with bitterness over the increased cost of doing business.

"To date, the export charge has had little visible impact," Apsey said, "but as prices drift down, curtailments and layoffs are inevitable.

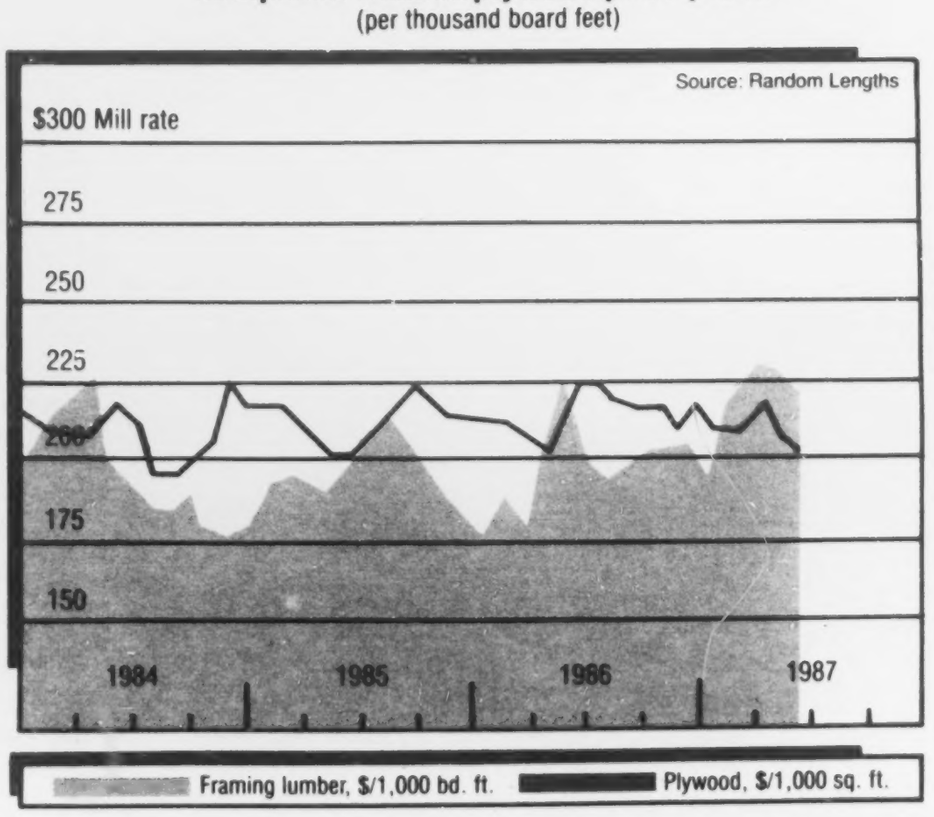
"The extra 15 percent now being paid by Canadian producers undermines their competitiveness."

Noting the correlation between strong housing starts and vigorous demand for Canadian lumber, Apsey argued that he expected U.S. single-housing starts to remain high and did not expect a slump next year, as some predicted.

When the three major forest products—pulp, lumber and plywood—are tallied together, Apsey said the Canadian forest products industry has become profitable in the past two years, much of the profitability attributable to better mills through capitalization.

Commodity close-up

Composite lumber/plywood price profile
(per thousand board feet)

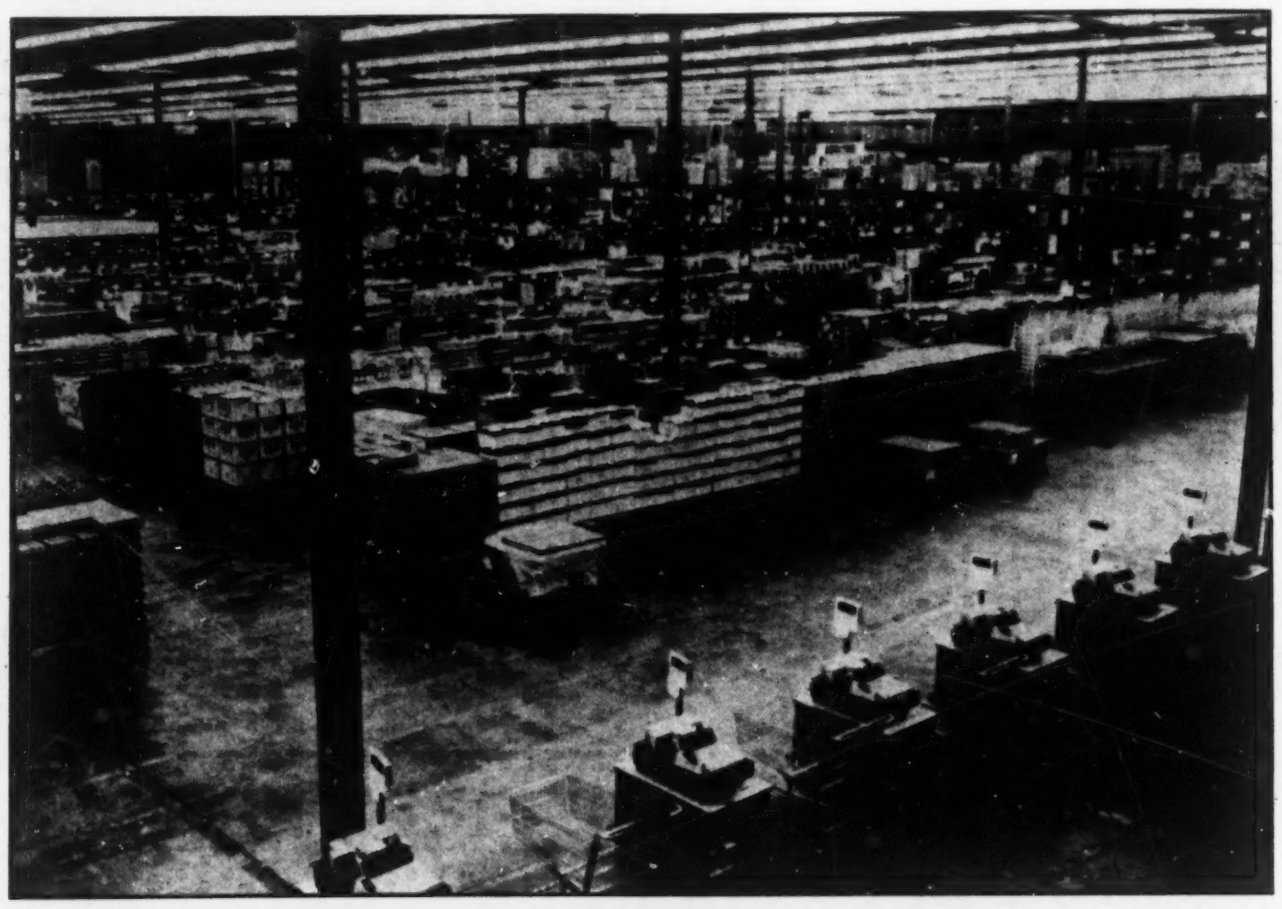


Strong price points for lumber and plywood began slipping early in the second quarter. After hitting expected highs of $230 per thousand board feet in March, the monthly framing lumber composite lost $7 by May. Similarly, after hitting a high of $218 per thousand square feet in March, the monthly plywood composite price lost $16 to end May at $202 per thousand square feet.

Perspectives

warehouse clubs

Home centers share lots of customers with whse. clubs



Home center dealers find locations near warehouse membership clubs draw more traffic to their own stores. Left, a typical Warehouse Club store.

By Brad Altman
NHCN staff editor

NATIONAL REPORT — Home centers continue to find advantages in "piggybacking" with membership warehouse clubs by choosing sites with a common parking lot.

Some home center retailers say that using the same building design enhances a discount pricing image in a retail center that also has general-merchandise warehouse clubs.

"Half our stores are within a quarter-mile or a half-mile of a membership warehouse," said Herb Zarkin, ceo of the 32-unit HomeClub warehouse home center chain in Fullerton, Calif.

Membership warehouse clubs—as opposed to DIY warehouse stores such as Home Depot that specialize in home improvement—generally carry a gamut of products from tires to liquor.

HomeClub first experimented with site-coexistence in 1985 when it opened its 12th and 13th units, in Bakersfield and Fresno, Calif., next to two Costco warehouses. The test was successful; HomeClub late last year opened a third unit next to a Costco in Stockton, Calif.

"We are doing good there," Costco president Jim Sinegal said of his company's sites shared with HomeClub.

"From everything that I have heard, so is HomeClub. We have a good marriage. Both are destination-oriented types of businesses and people will drive a long distance to shop there."

Shoppers at an Indianapolis Wholesale Club. The membership warehouses carry everything from tires to liquor.

HomeClub also has opened units near PACE Membership Warehouses and near Price Club, the San Diego-based warehouse business founded in 1976 and credited with developing the membership formula (*see separate story*).

Site-coexistence has also proved to be viable for non-warehouse home centers.

In Columbus, Ohio, Hechinger is next to a Best outlet. In Fullerton, Calif., National Lumber established the joint use of a parking lot with Price Club in 1985. PACE is opening next to The Home Depot in Fullerton soon.

Sinegal, whose Seattle-based Costco warehouse chain was founded in 1983 and now has 42 units, said Costco recently opened a unit next to a Lumbermen's outlet in Silverdale, Wash.

"It's difficult to measure the synergism," he said of the two different-style businesses operating next-door to each other.

Herbert Zarkin, ceo of HomeClub.

Sinegal said he has not done any research to determine whether consumers "cross-shop"—that is, visit each store on the same trip.

"It is difficult to assess that," Sinegal explained. "A lot of people buy perishables [at Costco] and then go home. And then there are professional builders who buy at HomeClub and leave immediately to do their contracting."

HomeClub's Zarkin says he doesn't believe many customers cross-shop. "We haven't done too many surveys showing that shoppers spend time at our store and then go next door to Costco."

Zarkin summarized the advantage of site-coexistence with Costco and other membership warehouses: "The concepts are similar, the stores are both membership and have similar personalities and customer demographics. We are membership-driven. Anytime we can locate next to a membership club, we will. There is a synergism."

George Rosenbaum, president of Leo J. Shapiro & Associates, a Chicago-based research firm, said home centers can benefit from setting up shop next to a warehouse club.

The warehouse clubs "can operate from relatively poor locations," Rosenbaum said. "They make that location more valuable because they attract traffic."

Selling identical merchandise does not appear to be a problem for either the home center or warehouse club. Sinegal said competition from HomeClub has not hurt the 20 percent of Costco's business generated from home improvement items.

Because Costco's total mix is only about 4,000 stockkeeping units, "our overlapping items [with home centers] may not even be 400 or 500 items," Sinegal said.

"If a contractor wants to buy a wheelbarrow, he would come to us," Sinegal said. "But the day-to-day contractor has to use HomeClub because if someone wants to change windows or add a room addition, they can't use us. We are in different businesses."

Another advantage of site-coexistence is that because both types of businesses are destination-oriented, customers will drive farther to shop there. Some membership clubs say they choose less expensive real estate in outlying areas because of this fact.

Sinegal said of the site-coexistence phenomenon, "We haven't made any deep analysis of what is going on. All we know is that we are happy and we think [HomeClub] is too, probably."

WAREHOUSE CLUBS: PROFILE

Sales in millions of dollars

	SALES			STORE COUNT	
	'86	'85	Change (%)	'87	'86
Price Co. (Calif.)	$2,590	$1,834	41%	39	27
Sam's (Ark.)	1,678	775	117	84	49
Costco (Wash.)	747	367	104	57	37
Pace (Colo.)	603	275	119	32	25
BJ's Wholesale Club (Mass.)	499	249	100	24	15
Makro (Ohio)	300	240	25	5	4
Price Savers (Utah)	300	200	50	16	6
Super Saver* (La.)	254	77	230	—	20
Wholesale Club (Ind.)	158	76	108	16	11
Wholesale Club (Ill.)	157	89	76	12	14

*Acquired by Wal-Mart, parent firm of Sam's
Source: *Discount Store News*

Warehouse clubs: are they a threat?

By an NHCN staff editor

NATIONAL REPORT — Despite the attention given to the general merchandise warehouse chains in recent years, many home center retailers don't recognize the competitive threat that the growth of these warehouses represent, industry observers say.

George Rosenbaum, president of Leo J. Shapiro & Associates, a Chicago market research firm, said one reason warehouses are still not seen as major competitors in the DIY arena is that warehouse clubs "are still not everywhere in America. Only 40 percent of American households have a warehouse club in their area."

Clearly, the warehouse clubs represent big volume. Leo J. Shapiro expects the clubs to reach $19 billion in sales by 1990. According to Management Horizons, the management consulting and marketing research firm based in Dublin, Ohio, warehouse clubs generated an estimated $8 billion in sales from 230 outlets in 1986 compared with an estimated $4.5 billion sales from 137 outlets in 1985.

Rosenbaum noted that "it takes only one or two stores in a market to achieve coverage because they attract from a very large trading area. A larger market gets covered with just four or five stores."

Shapiro research has found that "there is a superstition that warehouse clubs are not selling to consumers, but only to wholesalers and other businesses," Rosenbaum said.

"What the figures don't show is that when these people buy supplies for their business, they also buy very heavily for themselves," Rosenbaum elaborated. "A major portion of the

(Continued on page 74)

Perspectives

warehouse clubs

Some say warehouse clubs are threat to DIY retailers

(Continued from page 73)
spending in warehouse clubs is spending on items for the home that would otherwise be done at a conventional retailer. The businessman may come in to buy cleaning supplies for the office, but he also will do personal shopping."

Most warehouse clubs are open only to members, who pay by cash or check. Generally, only business owners and members of certain groups—such as government workers—are eligible. The fee drops directly to the bottom line and makes a signficiant contribution to profits.

Home centers sometimes argue that the clubs sell a sizable portion of food, which DIY retailers don't compete against, Rosenbaum said.

"That is another reason why some fail to recognize the threat," Rosenbaum said. "It may be true that half a club's volume is in food, but the volume is so great that even at half, that is very substantial."

According to analysts, Price Co. generates $108 million in annual sales per store; PACE, $30 million; Costco, $42 million, and Sam's Wholesale, $50 million. The Price Co. is the leader with about 40 percent of the market.

Meanwhile, most observers predict a shakeout. With the large sales volume required for profits, some players may not be strong enough to last. And, as more go head-to-head, profit margins, already razor thin, will drop more.

Earlier this year, Wal-Mart said it had entered into an agreement to buy Super Savers Wholesale Club, the 21-unit Monroe, La., membership warehouse chain. Wal-Mart is parent of 52-unit Sam's Wholesale Club.

Ian Bell, a retail analyst with Merrill Lynch, said, "You are seeing a shakeout already. The survivors will be Sam's and Price."

"The way things are going with membership warehouses, the consolidation is going a lot faster" than with the similar life-cycle of the discount department store industry, analyst Bell said.

Bill Davidson, chairman of Management Horizons, expects to see more acquisitions as "smaller companies find it difficult to expand. They will be taken over for their real estate by bigger companies."

Management Horizons estimates that the U.S. can accommodate only 300 to 350 successful clubs, a figure that will likely be reached or exceeded by 1988-89.

Davidson said a major factor in the shakeout is that "a lot of these retailers generate $50 million sales volume—and they require millions of dollars of volume to break even. As a result, any individual establishment is vulnerable to nearby competition."

Clubs lure talent from DIY chains

NATIONAL REPORT — Warehouse clubs have been drawing some of their managers from home centers.

Jim Sinegal, president of Costco Wholesale Corp., was general merchandise manager of Irvine, Calif.-based Builders Emporium in the 1970's.

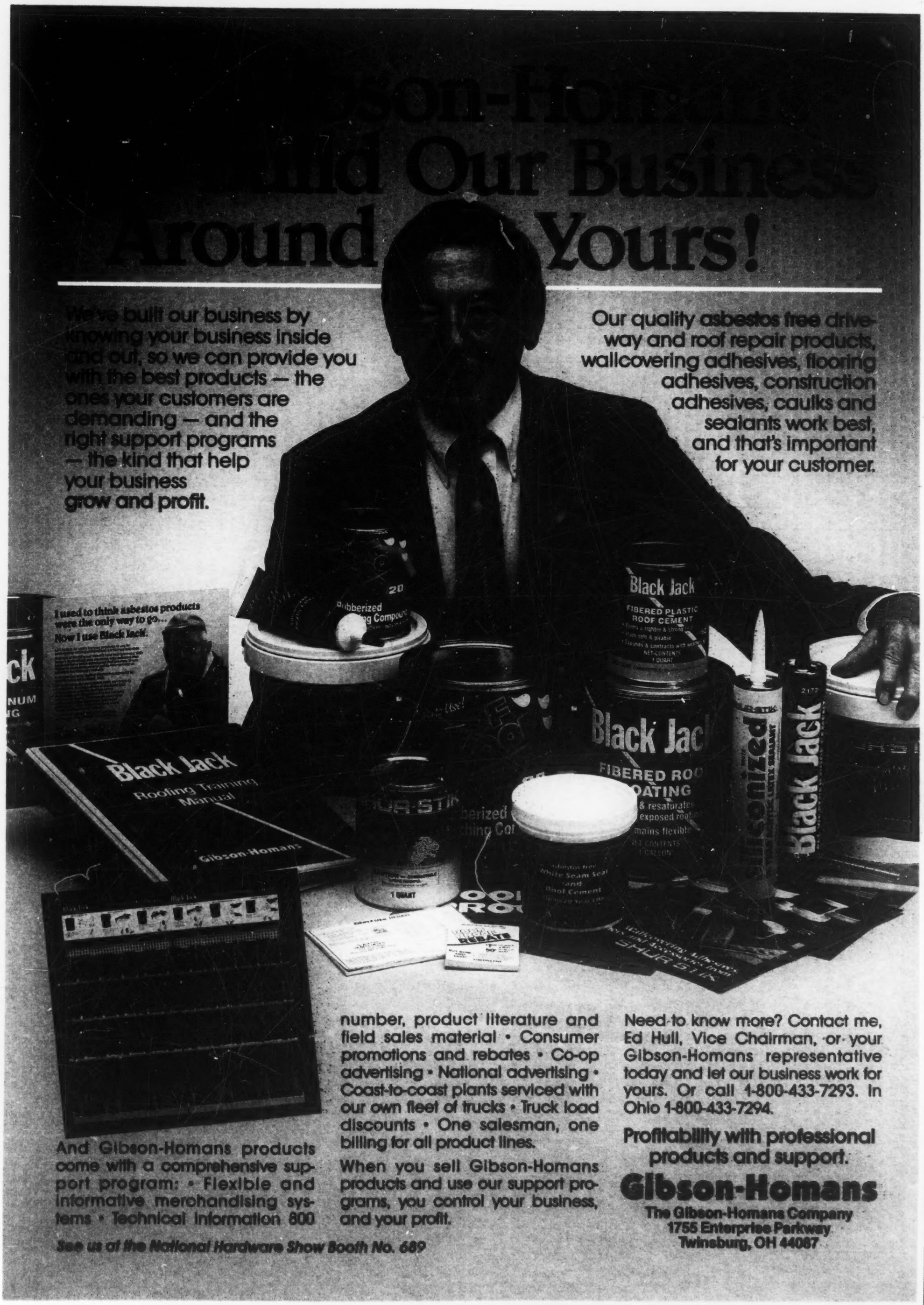
Costco's payroll includes two other former BE executives—Tony Swies, former president, and Robert Craves, a vp.

Swies and Craves "just happened to be a couple of guys I had worked with before and whose talents I respected," Sinegal said. "I have a lot of confidence in them. I would say we've got more people from the discount industry including FedMart and Target."

"There is a lot of relative sameness in the businesses" between home center and warehouse clubs, he said.

At PACE Membership Warehouse, Aurora, Colo., Chairman Henry W. Haimsohn, Pace's founder, served as vp-sales for the San Diego-based Handyman home center chain from 1977 to 1982.

Richard J. Smeltz, PACE's vp-treas., was Handyman's controller from 1974 to 1982.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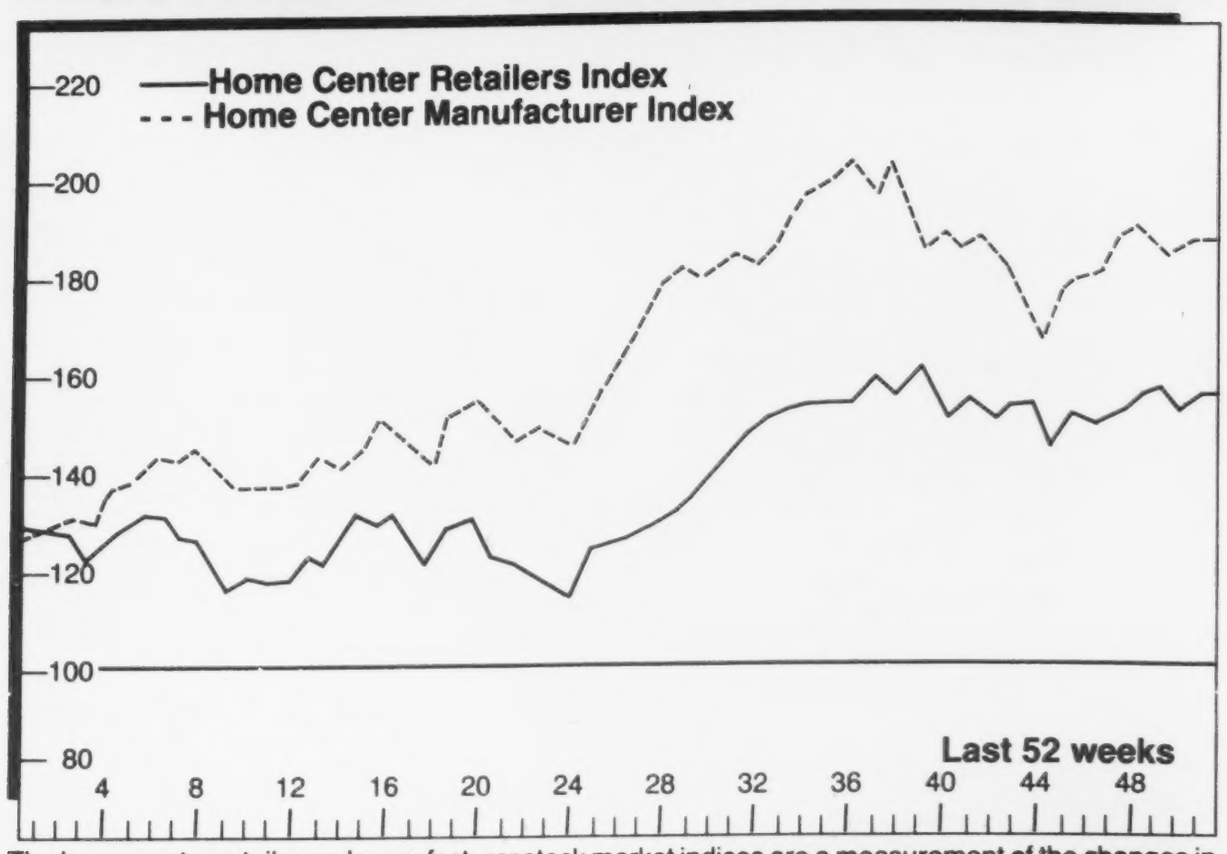
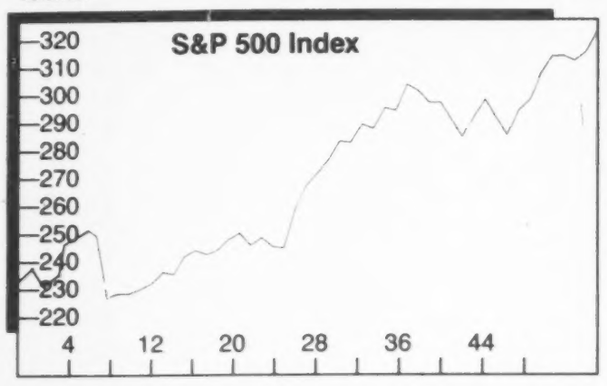


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on July 24, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
7-24-87	(100)	%	%
Grossman's Inc M	57,202	955.4	1.4
Std Brd Prt N	35,016	697.4	14.3
Walter, Jim N	88,295	599.7	37.0
USG Corp N	29,376	317.9	7.1
Waxman Ind M	1,743	291.2	- 5.0
Emhart Corp N	8,939	272.7	1.7
Wolohan Lumber M	3,386	261.3	1.7
Zayre Corp N	97,831	214.6	- 3.6
Insilco Corp N	7,176	210.8	- 3.1
Owens Corn N	46,031	209.3	- 11.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 7-24	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Walter, Jim N	58.50	37.0	88,295
Std Brd Prt N	29.00	14.3	35,016
Hechinger A M	24.00	9.1	5,564
Hechinger B M	24.00	7.9	336
USG Corp N	36.00	7.1	29,376
Manville Cp N	4.00	6.7	38,416
Armstrng Wrld N	39.00	6.1	15,988
Am Standard N	48.50	6.0	9,685
Scotty's Inc N	14.25	5.6	1,448
Black & Decker N	25.75	4.6	29,504
Losers	$	%	(100)
Clairson Intl M	11.50	- 27.0	1,609
Owens Corn N	23.63	- 11.7	46,031
Union Camp N	39.75	- 7.8	23,403
Stanley Works N	31.50	- 6.3	4,989
Ply-Gem A	15.00	- 5.5	1,595
Waxman Ind M	9.50	- 5.0	1,743
Certain-teed N	40.75	- 5.0	2,882
Natl Lumber M	4.75	- 5.0	270
Pope & Talbot N	20.00	- 4.8	3,321
PPG Inds N	47.13	- 4.6	28,916

National Home Center News

HOME CENTER MARKET SUMMARY

Stock Market

Price

Company and Market	2-Weeks Ended 7-24-87	2-Weeks Change Amt	2-Weeks Change Pct	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low
	$	$	%	$	$	$	$
Retailers							
Grossman's Inc M	8.88	.13	1.4	8.88	8.00	11.25	6.75
Hechinger A M	24.00	2.00	9.1	24.50	22.00	24.25	16.00
Hechinger B M	24.00	1.75	7.9	24.50	22.00	24.75	16.25
Home Depot N	34.25	1.25	3.8	35.25	32.88	37.00	15.88
INTERCO Inc N	50.13	1.13	2.3	51.75	49.00	51.75	36.63
K mart Cp N	45.25	1.13	2.5	46.63	43.13	46.63	28.84
Lowe's Cos N	26.75	- .13	- .5	27.88	25.63	32.75	22.50
Natl Hardgoods M	7.50	.25	3.4	7.63	7.25	10.00	6.88
Natl Lumber M	4.75	- .25	- 5.0	5.13	4.75	7.50	4.00
Pay n Pak N	20.75	.00	0	21.00	20.63	21.50	9.50
Payless Cash N	22.88	.38	1.7	23.25	22.25	26.88	15.88
Scotty's Inc N	14.25	.75	5.6	14.25	13.50	15.88	12.00
Sears, Roebuck N	51.63	1.38	2.7	53.13	50.00	56.00	39.00
Std Brd Prt N	29.00	3.63	14.3	31.50	25.00	31.50	19.38
Strober Organiz M	12.00	.00	0	12.75	12.00	15.25	10.50
Supermkts Gen N	39.88	- .25	- .6	40.13	39.75	46.75	22.50
Wickes Cos A	4.25	- .13	- 2.9	4.38	4.00	5.88	3.13
Wolohan Lumber M	14.63	.25	1.7	15.00	14.25	15.00	7.50
Zayre Corp N	30.00	- 1.13	- 3.6	32.38	28.00	36.25	20.75
Wholesalers							
Hughes Supply N	27.88	.00	0	27.88	27.25	28.38	20.63
Moore Handley M	7.75	- .25	- 3.1	8.50	7.75	15.00	6.75
Lewis Palmer M	8.75	.13	1.4	8.75	8.25	9.88	7.25
Stanline Inc M	12.50	.25	2.0	12.75	11.75	13.50	7.84
Manufacturers							
Am Consum Prods M	12.50	.25	2.0	13.00	12.25	12.88	8.50
Am Standard N	48.50	2.75	6.0	49.25	45.25	51.88	36.00
Am Woodmark M	15.25	.25	1.7	15.50	14.88	17.13	10.00
Armstrng Wrld N	39.00	2.25	6.1	39.25	35.50	44.00	24.88
Black & Decker N	25.75	1.13	4.6	26.00	24.00	26.00	14.50
Boise Cascade N	72.00	.00	0	74.00	71.00	86.88	51.50
Certain-teed N	40.75	- 2.13	- 5.0	43.63	40.50	43.63	24.63
Champ Intl N	35.38	- .63	- 1.7	37.38	34.50	43.50	22.50
Clairson Intl M	11.50	- 4.25	- 27.0	16.25	10.75	18.25	10.25
Cooper Indus N	64.00	1.50	2.4	66.25	62.00	66.25	36.75
DeSoto Inc N	39.13	- .50	- 1.3	39.88	39.13	43.75	34.25
Emhart Corp N	46.13	.75	1.7	47.25	44.88	47.25	30.75
Georgia Pacific N	41.88	- 1.25	- 2.9	43.50	39.75	52.75	29.25
Insilco Corp N	23.25	- .75	- 3.1	24.75	23.13	26.25	17.38
La Pacific N	30.75	1.00	3.4	32.38	29.38	39.63	22.22
Macmillan Bloedel M	20.75	.00	0	21.50	20.75	22.38	8.44
Manville Cp N	4.00	.25	6.7	4.50	2.88	5.38	1.63
Masco Corp N	33.75	- 1.13	- 3.2	35.50	31.75	40.88	23.50
Mor-Flo Inds M	12.25	.50	4.3	12.50	11.75	15.50	11.50
Newell Co N	38.00	- .50	- 1.3	38.50	37.25	39.75	24.00
Nortek Inc N	13.75	- .38	- 2.7	14.25	13.50	17.38	11.75
Owens Corn N	23.63	- 3.13	- 11.7	27.00	22.63	32.38	8.88
Ply-Gem A	15.00	- .88	- 5.5	15.75	14.75	18.13	10.00
Pope & Talbot N	20.00	- 1.00	- 4.8	21.00	19.00	24.50	8.88
Potlatch Cp N	30.88	- .63	- 2.0	33.50	30.88	41.88	25.75
PPG Inds N	47.13	- 2.25	- 4.6	49.25	46.13	53.50	29.63
Sherwin-Wms N	33.38	- 1.38	- 4.0	35.38	33.13	38.50	22.75
Stanley Works N	31.50	- 2.13	- 6.3	33.88	31.50	35.88	23.69
Thos Inds N	19.38	- .50	- 2.5	20.50	19.25	22.63	15.50
Triangle Ind N	39.38	.75	1.9	41.25	36.50	41.25	22.25
Union Camp N	39.75	- 3.38	- 7.8	42.75	39.00	48.19	30.19
USG Corp N	36.00	2.38	7.1	37.75	32.50	46.50	31.00
Walter, Jim N	58.50	15.81	37.0	59.00	42.38	59.00	32.41
Waxman Ind M	9.50	- .50	- 5.0	10.13	9.00	13.25	6.34
Weyerhaeuser N	48.13	- .50	- 1.0	50.63	47.25	60.00	31.25

Volume

Company and Market	2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change
	(100)	%	%	%
Retailers				
Grossman's Inc M	57.202	28.60	2.71	955.4
Hechinger A M	5,564	5.09	2.94	73.1
Hechinger B M	336	.20	.32	- 37.5
Home Depot N	8,002	2.88	2.67	7.9
INTERCO Inc N	10,303	3.61	2.16	67.1
K mart Cp N	57,879	2.90	1.46	98.6
Lowe's Cos N	10,409	2.63	1.36	93.4
Natl Hardgoods M	341	2.77	1.16	138.8
Natl Lumber M	270	.48	.30	60.0
Pay n Pak N	650	.65	7.03	- 90.8
Payless Cash N	8,304	2.40	1.86	29.0
Scotty's Inc N	1,448	1.00	.57	75.4
Sears, Roebuck N	77,790	2.08	1.02	103.9
Std Brd Prt N	35,016	31.18	3.91	697.4
Strober Organiz M	713	1.19	.75	58.7
Supermkts Gen N	2,619	.68	2.69	- 74.7
Wickes Cos A	70,819	2.98	1.84	62.0
Wolohan Lumber M	3,386	5.78	1.60	261.3
Zayre Corp N	97,831	16.58	5.27	214.6
Wholesalers				
Hughes Supply N	332	1.01	.91	11.0
Moore Handley M	698	2.80	1.45	93.1
Lewis Palmer M	1,688	4.22	1.70	148.2
Stanline Inc M	167	.98	1.65	- 40.6
Manufacturers				
Am Consum Prods M	853	4.43	2.92	51.7
Am Standard N	9,685	2.92	.95	207.4
Am Woodmark M	447	.65	.51	27.5
Armstrng Wrld N	15,988	3.36	1.42	136.6
Black & Decker N	29,504	5.08	2.71	87.5
Boise Cascade N	11,390	3.91	2.28	71.5
Certain-teed N	2,882	1.52	.67	126.9
Champ Intl N	36,743	3.90	2.13	83.1
Clairson Intl M	1,609	3.16	2.54	24.4
Cooper Indus N	19,524	4.03	1.49	170.5
DeSoto Inc N	970	2.46	.87	182.8
Emhart Corp N	8,939	2.87	.77	272.7
Georgia Pacific N	59,499	5.38	2.21	143.4
Insilco Corp N	7,176	3.45	1.11	210.8
La Pacific N	11,790	3.08	1.81	70.2
Macmillan Bloedel M	8,099	.80	.86	- 7.0
Manville Cp N	38,416	16.01	5.37	198.1
Masco Corp N	27,256	2.11	.86	145.3
Mor-Flo Inds M	37	.15	.59	- 74.6
Newell Co N	3,397	2.96	1.13	161.9
Nortek Inc N	3,650	2.24	.86	160.5
Owens Corn N	46,031	12.28	3.97	209.3
Ply-Gem A	1,595	1.99	.93	114.0
Pope & Talbot N	3,321	2.76	1.24	122.6
Potlatch Cp N	4,757	1.78	1.34	32.8
PPG Inds N	28,916	2.42	1.28	89.1
Sherwin-Wms N	7,687	1.70	.78	117.9
Stanley Works N	4,989	1.17	.52	125.0
Thos Inds N	587	.59	.37	59.5
Triangle Ind N	12,515	7.35	2.67	175.3
Union Camp N	23,403	3.18	1.43	122.4
USG Corp N	29,376	5.60	1.34	317.9
Walter, Jim N	88,295	22.25	3.18	599.7
Waxman Ind M	1,743	2.66	.68	291.2
Weyerhaeuser N	47,617	3.52	1.64	114.6

Financial Update

Company and Market	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																		
Grossman's Inc M	NE	.00	.0	NEW	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A M	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	24.0	.06	.3	.....	3 mos.	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot N	30.3	.02	.1	.....	3 mos.	04-87	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc N	15.2	1.60	3.2	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp N	14.7	1.16	2.6	.....	3 mos.	04-87	5594.4	7.3	115.5	26.1	.57	21.3	5594.4	7.3	115.5	26.1	.57	21.3
Lowe's Cos N	18.7	.44	1.6	.....	3 mos.	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Natl Hardgoods M	10.7	.00a	.0	.....	3 mos.	04-87	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Natl Lumber M	NE	.00	.0	.....	*	04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak N	26.6	.40	1.9	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash N	18.0	.16	.7	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc N	19.3	.52	3.6	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck N	13.4	2.00	3.9	.....	3 mos.	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Std Brd Prt N	21.8	.60	2.1	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Strober Organiz M	12.0	.00	.0	.....	3 mos.	03-87	21.3	19.0	1.0	42.9	.17	21.4	21.3	19.0	1.0	42.9	.17	21.4
Supermkts Gen N	26.1	.28	.7	.....	3 mos.	04-87	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes Cos A	7.1	.00	.0	.....	3 mos.	04-87	1540.4	54.8	82.7	426.8	.34	1600.0	1540.4	54.8	82.7	426.8	.34	1600.0
Wolohan Lumber M	13.3	.20	1.4	.....	3 mos.	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp N	18.4	.40	1.3	.....	3 mos.	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers																		
Hughes Supply N	13.0	.40	1.4	.....	3 mos.	04-87	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4
Moore Handley M	17.6	.00	.0	NEW	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer M	21.9	.28	3.2	.....	3 mos.	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanline Inc M	11.8	.32b	2.6	.....	6 mos.	04-87	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers																		
Am Consum Prods M	18.9	.00	.0	.....	3 mos.	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard N	10.5	1.80	3.7	.....	3 mos.	03-87	779.7	15.3	21.6	- 57.0	.65	- 50.0	779.7	15.3	21.6	- 57.0	.65	- 50.0
Am Woodmark M	15.1	.00	.0	.....	fiscal	04-87	29.3	20.1	1.5	25.0	.22	- 4.3	115.8	18.9	6.8	51.1	1.01	12.2
Armstrng Wrld N	14.3	.90	2.3	.....	3 mos.	03-87	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6
Black & Decker N	35.8	.40	1.6	NEW	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade N	18.5	1.90	2.6	NEW	6 mos.	06-87	887.8	- 5.1	35.2	12.5	1.16	8.4	1800.0	- 2.4	75.4	33.9	2.47	30.0
Certain-teed N	12.9	1.00	2.5	NEW	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl N	9.8	.64	1.8	NEW	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl M	24.0	.00	.0	.....	6 mos.	03-87	18.9	33.1	.8	60.0	.17	30.8	35.2	23.9	1.0	11.1	.22	- 12.0
Cooper Indus N	20.8	1.68	2.6	.....	3 mos.	03-87	800.5	- 7.6	27.6	7.0	.56	5.7	800.5	- 7.6	27.6	7.0	.56	5.7
DeSoto Inc N	25.1	1.40	3.6	NEW	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp N	NM	1.60	3.5	NEW	6 mos.	06-87	629.0	19.2	28.8	37.8	.92	29.6	1231.6	18.7	56.8	42.0	1.82	30.9
Georgia Pacific N	11.3	1.00	2.4	NEW	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp N	14.7	1.00b	4.3	NEW	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific N	12.7	.80b	2.6	NEW	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel M	NA	.42	NA	.....	3 mos.	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp N	.9	.00	.0	NEW	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp N	20.7	.40	1.2	.....	3 mos.	03-87	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0
Mor-Flo Inds M	42.2	.01	.1	.....	3 mos.	03-87	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co N	16.4	.84	2.2	NEW	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc N	6.3	.10	.7	.....	3 mos.	03-87	290.4	77.7	9.2	- 5.2	.57	- 40.0	290.4	77.7	9.2	- 5.2	.57	- 40.0
Owens Corn N	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	15.8	.12	.8	.....	3 mos.	03-87	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot N	10.4	.44	2.2	.....	3 mos.	03-87	100.3	35.4	6.7	NE	.55	NE	100.3	35.4	6.7	NE	.55	NE
Potlatch Cp N	11.3	.84	2.7	NEW	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds N	16.8	1.08	2.3	.....	3 mos.	03-87	1260.8	10.9	86.9	25.6	.73	23.7	1260.8	10.9	86.9	25.6	.73	23.7
Sherwin-Wms N	14.3	.56	1.7	.....	3 mos.	03-87	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works N	16.2	.76	2.4	.....	3 mos.	03-87	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds N	14.5	.68b	3.5	.....	3 mos.	03-87	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
Triangle Ind N	14.7	.12	.3	.....	3 mos.	03-87	912.2	88.5	6.3	96.9	.20	100.0	912.2	88.5	6.3	96.9	.20	100.0
Union Camp N	19.2	1.16	2.9	.....	3 mos.	03-87	537.0	8.5	44.2	100.9	.60	100.0	537.0	8.5	44.2	100.9	.60	100.0
USG Corp N	8.2	1.12	3.1	.....	3 mos.	03-87	698.2	11.4	85.0	64.4	1.65	103.7	693.2	11.4	85.0	64.4	1.65	103.7
Walter, Jim N	16.7	1.20	2.1	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind M	20.2	.08	.8	.....	9 mos.	03-87	NC	NC	- .6	- 100.0	- .10	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser N	20.5	1.30	2.7	.....	3 mos.	03-87	1617.3	23.8	101.9	103.8	.75	141.9	1617.3	23.8	101.9	103.8	.75	141.9

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National
Home Center News ®

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Fla. DIY mall to file Chapter 7

By Milford Prewitt
NHCN staff editor

CORAL SPRINGS, Fla. — Homeowners Outlet Mall Exchange (HOME), a home center shopping mall founded a year ago and managed by former Mr. HOW executives, was expected to file a Chapter 7 bankruptcy petition to liquidate, according to a lawyer representing the company.

Phones at the company's corporate offices in Coral Springs and its two retail stores have been disconnected. Corporate office furniture and HOME's computer system have been recovered by suppliers.

(Continued on page 86)

Walter Bozdek (seated), president, founder and ceo of HOME with Earl Aaronson, senior vp. NHCN photo

Korean boom belies political trouble

By Brad Altman
NHCN staff editor

CHANGWON CITY, South Korea — Workers at the Seshin Commercial Co. hand tool factory, which produces wrenches and pliers to be shipped to the United States, prick up their ears and check their wristwatches.

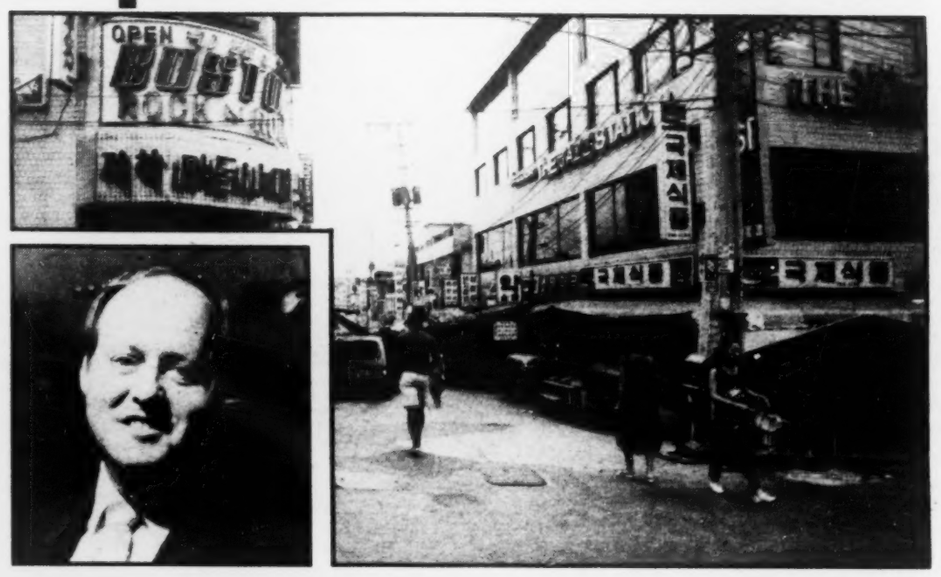
The South Korean national anthem is playing over the plant's loudspeakers, signifying the stroke of 6 p.m. on this hot and muggy Monday in late July.

It's the transition period between the day and night shifts. But as the patriotic music blares, workers—whether arriving or departing—suddenly stop and stand quietly. When the daily ritual ends, life goes on.

NHCN senior editor Brad Altman recently completed a three-week tour of South Korea, Taiwan and Japan. This is the first of several stories Altman will be filing in subsequent weeks that will deal with trade issues overseas that affect DIY retailing in the U.S.

This patriotic observance, an obvious symbol of unity of purpose among the workers, is repeated simultaneously at

(Continued on page 85)



J.O. Raymer Jr., president of K Mart Korea Ltd., said recent political demonstrations in the country have had no effect on business. Pictured is Seoul, South Korea. NHCN photo

Sentry Hardware trims suppliers in move toward single sourcing

By Gary S. Ruderman
NHCN staff editor

DES PLAINES, Ill. — In an effort to boost its clout with selected suppliers, Sentry Hardware Corp. here began stripping away multiple suppliers on a number of lines.

This process of cutting vendors, in the planning stages for a year, is called "commonality" by Sentry.

Just days before the National Hardware Show commenced, Sentry's merchandising committee and the chief executive officers of its 18 member distributors met here and eliminated longtime steel goods suppliers Ames Lawn and Garden Tool Co. and fastener company Rockford Products Corp. from its list of 200 Sentry "program" suppliers.

This means that only True Temper Tool Company and Allied Starline fasteners will supply the 18 Sentry-affiliated wholesalers or be nationally promoted. These two product categories accounted for $11 million in purchases by Sentry last year.

According to officials at one of the affiliated wholesale firms, Sentry members "unanimously agreed in principle" to a system of fines for noncompliance to the "commonality" program, although it hasn't been determined yet what amounts those fines will be. An immediate line changeover is expected.

The "commonality" program has been on the drawing board for more than a year. The August 7 supplier cuts will be

(Continued on page 85)

Vendor Operating Margins

Company	1987 (Projection)
American Standard	11.0%
Armstrong World	15.0
Bird	6.0
CertainTeed	16.5
Cooper Industries	15.0
DeSoto	11.0
Emhart	12.5
Manville	16.5
Masco	20.5
Newell	11.5
Nortek	10.5
Owens-Corning	20.0
PPG	18.5
Ply-Gem	8.5
Sherwin Williams	10.5
Stanley Works	14.0
Thomas Industries	11.5
USG	19.5

Source: Value Line NHCN chart

Builders Sq. marks 100th store opening

Builders Square chairman Frank Denny and executive vp Jud Walford at the opening of their first Atlanta store. NHCN photo

By Ken Schept
NHCN Editor

ATLANTA — Builders Square's Store No. 100 opened here on Aug. 13, a day that the K mart warehouse home center subsidiary launched a total of nine new units in eight markets.

While any of those stores—in St. Paul, Minn.; Chicago; St. Louis; Cleveland; Akron, Ohio; Fort Wayne, Ind., or Milwaukee, which had two openings—could have been number 100, a refurbished K mart here in suburban Decatur won that designation.

The company, which began four years ago with one store in San Antonio, Texas, chose to celebrate this milestone of its rapid growth in the city where its chief warehouse store rival, The Home Depot, was founded eight years ago and is still headquartered.

Print advertising prior to the opening challenged: "Home Depot, we dare you to step outside with us."

Builders Square chairman Frank Denny, however, insisted that it was not The Home Depot that drew the

(Continued on page 85)

Vendors' operating margins rebound in first half of 1987

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — With the first half of the year behind them, home center vendors are reporting considerable benefits from the consumer buying activity that has propelled retailer and wholesaler operations to healthy levels.

(Continued on page 86)

INSIDE

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NEWSBREAKS

UNITED HARDWARE JOINS PRO: United Hardware Distributing, the $91 million member-owned buying group based in Minneapolis, has joined Pro Hardware, the $615 million wholesaler buying group based in Stamford, Conn. The affiliation was announced at the National Hardware Show.

DIAMOND HIRES FORMER MOORE'S GMM: James T. Schaffer will join Texas-based Diamond Lumber Sept. 1 as senior vp, from a position of gmm at Moore's.

INDUSTRY UPDATE

Channel opens 181st unit in Md.

WHIPPANY, N.J. — Channel Home Centers opened its 181st store in Annapolis, Md., on June 25.

The new store is a continuation of Channel's earlier announcement to expand the chain following its leveraged buyout late last year.

The company said it will expand the chain by some 15 units in 1987.

The 50,000-square-foot store is Channel's 12th in Maryland, and will be located at Forest Drive and Riva Road at the Riva Shopping Center.

Approximately 80 people will be employed. Dean Sipple of Pasadena, Md., will manage the store.

In addition to its regular product mix, the Annapolis store will carry accessories for crabbing such as crab pots and mallets since the Chesapeake Bay area is known for its crabs.

Pay 'N Pak sells common stock

KENT, Wash. — Rosewood Corp. said earlier this month that it had completed payment of $17 cash for each of 8.1 million shares representing 81 percent of the common stock of Pay 'N Pak.

"The shareholders now have their cash, and the next step is to send them their share of preferred stock," said C. Sean Day, president of Rosewood. Rosewood still owes shareholders one share of new preferred stock with a $4.25 liquidation value, and expected to distribute the stock next month.

Day said Pay 'N Pak would remain a publicly held company because of the existence of the stock.

Std. Brands stuck on Glew bid

TORRANCE, Calif. — Standard Brands Paint here said it was still engaged in its effort to analyze alternatives to maximize shareholder value after it turned down a purchase offer from Entregrowth International, New York.

"Nothing concrete has occurred yet," said Craig Walker, Standard Brand's director of communications.

Entregrowth chairman Seph Glew said that Standard Brands had not yet responded to his letter requesting the two companies meet to discuss options for working together. (*NHCN*, Aug. 10).

"It looks like we're each waiting for the other to make the next move," said Glew.

July sales show healthy gains

NATIONAL REPORT — Home center companies reported July sales that for the most part reflected some healthy gains in total revenues, but mixed results in sales increases at stores open longer than one year.

Lowe's reported July sales of $275.7 million, up by 11 percent from the results of the same month last year. Other revenue increases were 17 percent to $146.5 million for Payless Cashways; 0.5 percent to $37.5 million at Scotty's; and 18 percent to $4.7 million at National Hardgoods Distributors. Builders Square parent K mart reported a 7.2 percent revenue increase to $1.9 billion.

Comparable store increases, which provide one indication of the success retailers have in wringing more revenues from existing assets, were up 4 percent at Lowe's, 3 percent at Payless and declined 2.8 percent at National Hardgoods Distributors. K mart said comparable store sales increased 3.4 percent.

Scotty's said that stronger commercial sales more than offset softness in its consumer and professional builder business. NHD noted that nonpromotional sales have been growing at a faster clip than low margin ones.

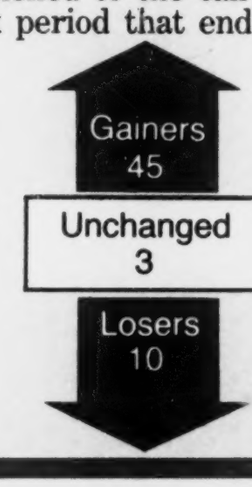
Home center stocks skyrocket

NEW YORK — Wall Street hearkened to the call of home center stocks in the two-week period that ended Aug. 7.

Of the stocks tracked by Media General for *NHCN*, 45 increased in price, three remained unchanged and 10 dropped in price.

The Home Depot was the No. 1 retailer in the group, increasing 16.4 percent to $39.88. National Lumber increased 15.8 percent to $5.50.

Strober Organization dropped 2.1 percent to $11.75.



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Hardware show places greater emphasis on foreign displays

By an NHCN staff editor

CHICAGO — The National Hardware Show increased its global emphasis this month, devoting a large section in the McCormick Place complex here to foreign manufacturers seeking to sell into the U.S. The move comes at a time when the weakened U.S. dollar has American manufacturers looking again to overseas markets.

The additional 9,000 square feet devoted to international displays netted a record 150 foreign company booths representing 14 countries, show officials said. More than 3,000 international visitors attended the show August 9 through August 12, an increase over 1986 according to Cahners Exposition Group, the show's administrators.

One American exhibitor, General Hardware Manufacturing Co., New York City, was approached by buyers from France, Mexico, Finland, Australia, New Zealand and Taiwan during the show, according to export manager Lucia St. Denis. This was a far greater show of foreign interest than at previous shows, she said, due to the fact "that the dollar is down abroad. These international visitors are buying, not just asking questions."

More than 3,000 international visitors attended the National Hardware Show, held in McCormick Place, Chicago, according to Cahners Exposition Group. NHCN photo

It seemed like U.S. retailers were buying as well. Despite predictions of a softening in consumer confidence and anticipation of higher interest rates, keynote speaker Robert Strickland, chairman of Lowe's Co., cited an analyst's

(Continued on page 85)

John Madden named Ace spokesman

By an NHCN staff editor

OAK BROOK, Ill. — John Madden, the jovial, rotund and boisterous commentator for CBS-TV Sports, signed a 2½-year agreement with Ace Hardware Corp. to be the spokesman for the national hardware wholesale co-op.

This move appears to signal a shift by Ace away from the homey, neighborhood hardware store appeal its television commercials have projected in favor of a higher profile image.

Madden, who seems to be all over the TV screen these days hawking Miller Beer, Minolta cameras, Ramada Inns and Mobil Oil, begins his hardware career August 31 hosting a three-minute sports trivia radio show with Ace as the primary sponsor. The radio will air daily through 1989 on 200 stations to start, said Ace's director of corporate communications John Cameron.

Photo courtesy CBS

John Madden

Madden signed with Ace the first week of August and went immediately to work filming Ace TV commercials at a Freemont, Calif., Ace store. The commericals, which start airing in January, show Madden asking for and receiving DIY help in Ace stores.

Cameron said Madden replaces actors Connie Foster and Dan Conway, who promoted Ace price and products as The Helpful Hardware People for about five years. In fact, about a year ago Ace officials showed the co-op's members commercials that have been airing this year that played heavily on the "Ace is the Place" and the "Helpful Hardware Man" signatures. In 1987, Ace spent about half its $30 million advertising budget on electronic media.

The last national spokesperson employed by Ace was actress Suzanne Somers, who was summarily dropped by the co-op after nude photographs of her appeared in Playboy magazine.

Furman may merge with lumber dist.

By an NHCN staff editor

BOSTON — Furman Lumber, the $240 million forest products distributor here, has signed a letter of intent for a merger with Slaughter Brothers, a $55 million softwood lumber distributor based in Dallas.

The move presents the first time that Furman, founded in 1956, has merged with another company. When the merger is effected, Slaughter Brothers will be a subsidiary of Furman.

Furman deferred comment on the terms of the merger until the final agreement is signed.

"We are now undertaking the due diligence procedures, but we feel the merger should be consummated by September 30," said Hawk Furman, president of Furman Lumber.

Due diligence procedures include reviewing the personnel, facilities and inventory of Slaughter Brothers.

Furman said that Slaughter had approached his company on the merger in early July. He noted that both Furman and Slaughter have had "a good couple of years" from the standpoint of sales and profits.

The driving force for the merger, according to Furman, is the growing market pressures that are bringing consolidation to the industry.

"As industries mature, you get a lot of this," he said, speaking of the merger. "Distribution is changing," he added. Larger distributors have an economy of scale that is an

(Continued on page 85)

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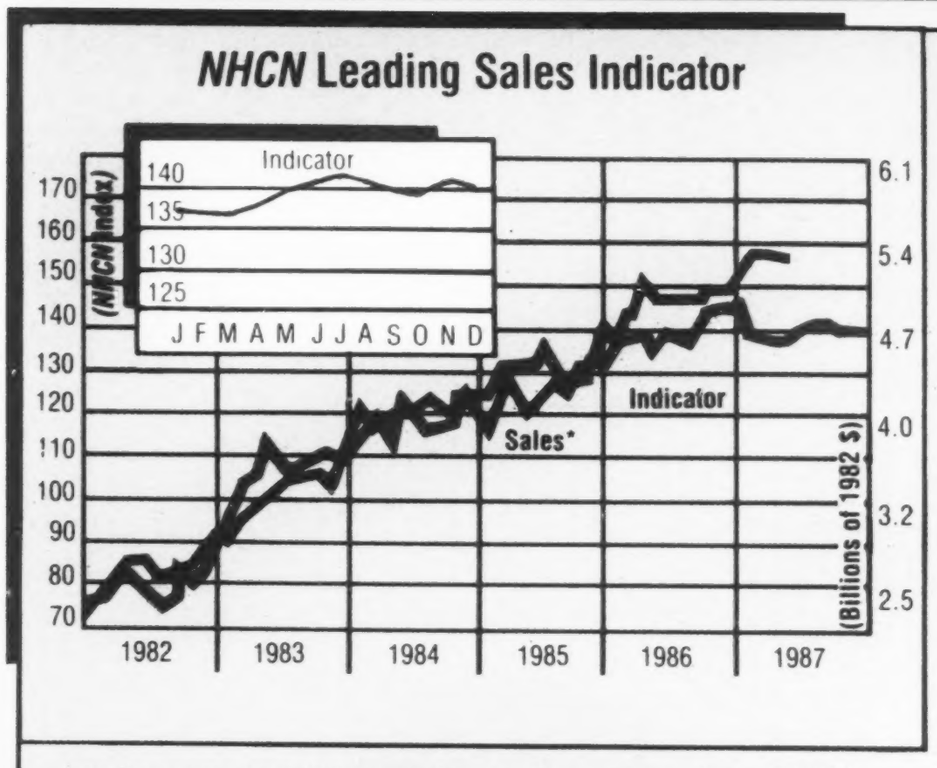
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales increased slightly in the second quarter, but the rise in mortgage rates suggests weakness in starts and resales ahead.

Bigger is better for home buyer and building material retailer

By Richard E. Mount
Special to NHCN

One of the major factors behind the nine percent rise in building material sales that we expect for 1987, seven percent after adjustment for inflation, is the consumer's rising preference for larger homes.

For building material retailers, this increase in average home size means a resulting gain in sales per housing start. While the larger home still has four bedrooms and two and one half baths, it requires proportionately more paint, wallboard and nails than a smaller unit.

Homes get larger during economic expansions as rising incomes allow households to afford bigger dwellings. During recessions, however, the average size drops as buyers seek to make do with less house.

Richard E. Mount

The average size of new single-family homes increased 2.2 percent in 1986 from 1985, reaching 1,825 square feet. This was up 6.7 percent from 1982, the recession trough, when the average size fell to 1,710 square feet. Current sales prices suggest another gain of three percent for 1987.

The average size in 1986 was surprising, given today's economic climate.

Mortgage rates continue to remain high in this expansion, thus keeping monthly payments up. Yet con-

(Continued on page 13)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1986				1987						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	141.9	140.4	118.5	130.4	140.3
General Economic Outlook												
	GNP $1982 Billion	3,698.8	3,704.7	3,718.0	3,731.5	3,772.2	3,796.4	3,764.5	3,816.1	3,585.2	3,675.0	3,758.0
	Real Disposable Income $1982 Bil.	2,610.5	2,660.2	2,653.2	2,656.7	2,674.6	2,653.1	2,684.4	2,695.4	2,528.0	2,602.0	2,626.7
	Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,695	1,535	1,550	1,575	1,733	1,762	1,595
	Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,795	1,612	1,600	1,600	1,742	1,806	1,654
	New Home Sales (000 SAAR)	791	794	685	712	724	676	650	675	688	749	672
	Resales (000 SAAR)	3,256	3,470	3,615	3,927	3,617	3,623	3,500	3,500	3,214	3,565	3,554
	Prime Rate %	9.4	8.6	7.9	7.5	7.5	8.1	8.5	8.5	9.9	8.4	8.2
	Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	10.3	10.4	10.4	12.5	10.2	10.1
	Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	336.0	339.0	342.9	347.1	322.1	328.3	341.1
	Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.2	292.3	296.1	298.8	302.2	293.8	289.8	298.1
	New Housing Affordability 1980-100)	128.6	129.4	126.1	128.9	129.2	127.3	119.3	118.8	117.6	128.3	123.7
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	91,800	83,300	104,400	86,700	94,581	96,972	98,978	101,386	80,267	91,416	97,979
	Maintenance and Repair	37,700	29,800	40,600	36,300	37,570	38,288	39,094	39,834	35,358	35,990	38,697
	Additions and Alterations	33,900	39,600	44,700	35,400	39,318	40,538	41,334	42,647	28,775	38,662	40,959
	Major Replacements	20,200	13,900	15,000	19,100	17,693	18,146	18,550	18,904	16,134	16,766	18,323
Constant	**Total Millions $1982 SAAR**	83,655	74,114	96,100	83,969	86,600	87,910	88,840	90,100	74,614	84,459	88,363
	Maintenance and Repair	34,355	26,514	38,900	33,569	34,400	34,710	35,090	35,400	32,864	33,334	34,900
	Additions and Alterations	30,892	35,233	42,828	32,737	36,000	36,750	37,100	37,900	26,791	35,423	36,938
	Major Replacements	18,408	12,367	14,372	17,663	16,200	16,450	16,650	16,800	15,180	15,702	16,525
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,414,624	1,431,108	1,486,596	1,485,648	1,469,808	1,498,332	1,535,484	1,553,351	1,379,621	1,445,875	1,517,873
	Total Minus Automobile	1,104,376	1,109,508	1,122,908	1,133,900	1,155,900	1,162,976	1,190,378	1,204,514	1,067,762	1,117,943	1,178,602
	Building Material, Hardware, Garden Supply, Mobile Home	86,136	87,528	88,884	89,488	91,132	90,296	96,132	96,596	75,556	88,009	95,250
	Building Material and Supply	63,708	64,396	62,956	64,584	69,660	68,376	72,672	74,559	55,695	65,529	72,591
	Hardware	10,500	10,884	11,832	11,748	12,092	12,592	12,566	12,724	10,397	10,700	12,542
Constant	**Total Millions $1982 SAAR**	1,318,831	1,348,823	1,389,643	1,381,478	1,346,715	1,355,148	1,375,000	1,379,000	1,287,616	1,363,384	1,367,047
	Total Minus Automobile	1,037,082	1,058,355	1,064,708	1,069,709	1,069,597	1,062,730	1,077,000	1,079,000	1,003,247	1,064,947	1,073,674
	Building Material, Hardware, Garden Supply, Mobile Home	80,759	84,456	84,518	83,480	84,277	83,247	87,750	87,300	71,575	84,163	86,654
	Building Material and Supply	59,719	62,132	59,866	60,242	64,420	63,039	65,750	66,200	52,705	61,650	65,192
	Hardware	9,845	10,504	11,251	10,960	11,182	11,609	11,470	11,500	9,860	10,682	11,411
	Building Materials % of Total Less Automobile ($Current)	5.77	5.80	5.61	5.70	6.03	5.88	6.10	6.19	5.22	5.86	6.16

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
August 24, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Bigger is better for buyer and bldg. material retailer

(Continued from page 12)

sumers, however, remain willing to pay a larger portion of income for housing than in the past.

Generalized inflationary psychology has abated, the consumer price index rose only 1.9 percent in 1986. The idea of buying the largest house that a family can afford to beat inflation has not been as pronounced in this expansion as in the late 1970s. Still buyers rush to pay more.

Beginning in 1981, new investments made housing less attractive. In the early 1970s, housing was the best investment vehicle for most households. Gains were sheltered from taxation as long as more expensive homes were bought.

The early years of payments, when interest charges were large, were almost entirely deductible from income. From 1981 to 1986, when the tax law again changed, consumers had the option of IRA accounts that provided tax-sheltered gains, funded by pretax earnings.

Obviously, financial considerations are only part of the housing demand equation. Housing remains a social decision as well. The older population, with larger families and higher wages, is willing to trade up to larger homes.

Regional size variation

The Northeast did not show much change in size in recent years. The average size was 1,850 square feet in 1986, slightly down from 1,860 in 1984. The current surge in home prices in the area is fueled by building lot costs, labor shortages and material prices. As homes become increasingly less affordable, average size will contract.

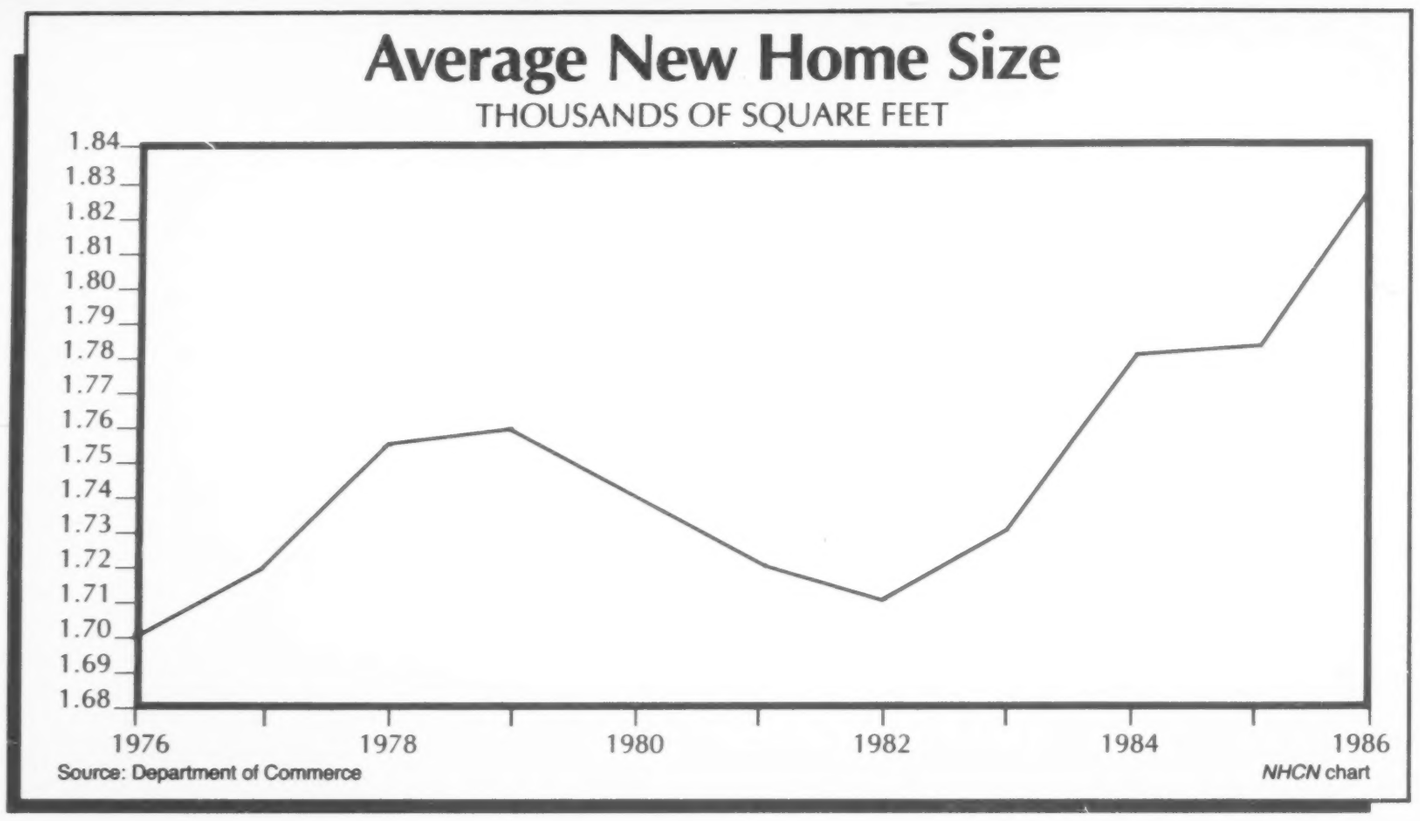
The Midwest average size for homes rose the fastest in this recovery, up 1.9 percent in 1986 to 1,855 square feet. Since 1982, the average size increased 12.1 percent, versus 6.7 percent nationally. The region concentrates on the manufacturing of durable consumer goods, including autos and business equipment. An economic expansion accelerates the Midwest more than other areas.

The South saw the fastest rise in 1986—up 3.4 percent, and the second fastest since 1982—7.4 percent. The early 1986 drop in energy prices harmed housing activity in Texas and Oklahoma in particular, but these states have many homes of 1,000 square feet. By decreasing the number of starts in these states, the region's average increases. As energy markets recover in 1988, average home size in the South will decline.

The West saw the slowest growth in home sizes—up 1.7 percent last year and only 3.4 percent since 1982. Nevada and Arizona have grown rapidly, but homes in these states are smaller on average. Oregon, Washington and Silicon Valley, with larger homes, have not been as robust.

Sales are expected to increase nine percent this year in dollar volume, seven percent after inflation. The rise in dollar volume is slightly less than previously forecast, but unit volume remains the same. Since the last report, the Department of Commerce has revised the price deflator and it shows less inflation into 1987 for retail sales.

Supporting the rise in sales will be the three percent rise in new home average size. This gain will be somewhat higher in the Midwest and South, less in the Northeast and West.



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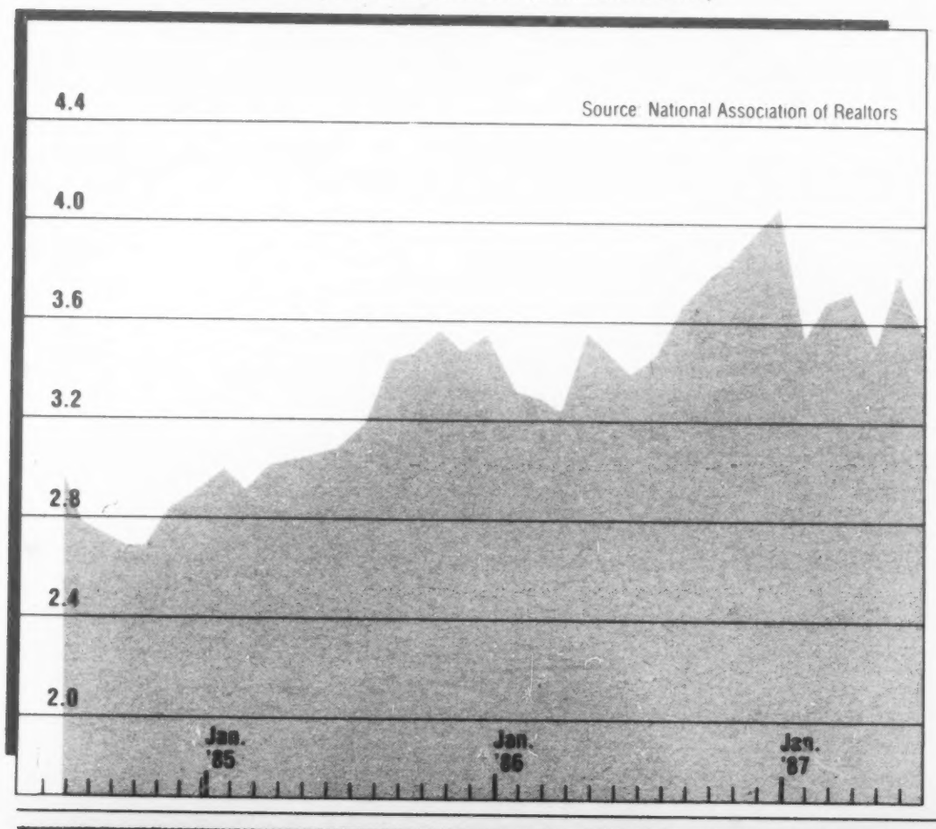
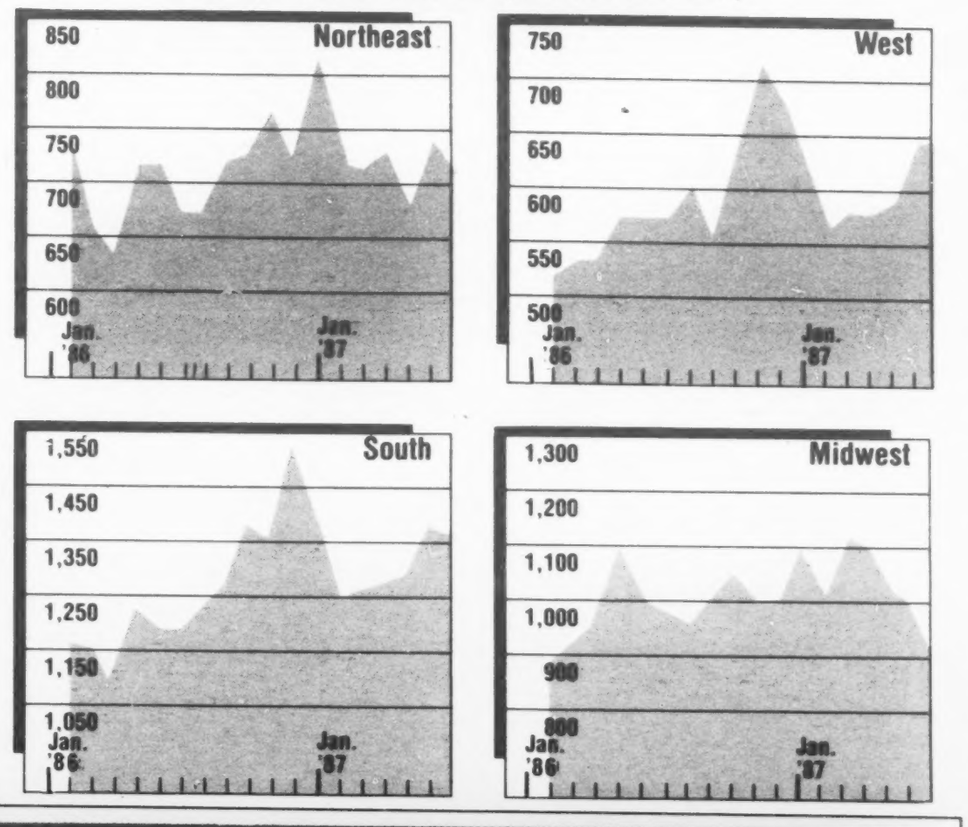
National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Median cost of a home in U.S. hits $87G in June

NATIONAL REPORT — Interest rates and home prices were up in June, housing resales were down, and one real estate economist predicts that the pattern will continue through August.

By fall, the pace should level off.

"We should wind up the year with sales of about 3.55 million to 3.60 million units, which is roughly what we were forecasting in January," said John A. Tuccillo, chief economist for the National Association of Realtors (NAR).

The median resale home price in the United States hit $87,000 in June, according to NAR preliminary figures. That's $1,800 more than the median price in May and $4,900 more than January. A seasonally adjusted 3.54 million units changed hands, down from 3.77 million in May.

The May-to-June price increase is typical for this time of year, Tuccillo said, because more larger, expensive homes come on the market.

Median Sale Price
(in thousands of dollars)

	June[p]	May[r]	April	March
U.S.	$ 87.0	$ 85.2	$ 85.6	$ 85.0
Northeast	139.4	32.4	129.4	128.2
South	82.1	81.4	81.8	83.7
Midwest	65.9	66.3	67.6	67.6
West	107.8	103.2	103.3	101.9

[p]-preliminary [r]-revised
Source: National Association of Realtors

The Northeast led the price rise, with a $7,000 increase in the median home price. Some 710,000 homes were sold, down from 740,000 in May.

Prices in the region jumped from $132,400 in May to $139,400 in June. Northeast homes started the year at $108,700.

But Tuccillo said, "we anticipate that the continued large price increases there will diminish as demand drops in that area, and pressure begins to build on sellers."

The West followed with the next sharpest gain. Median home prices there were up $4,600, from $103,200 in May to $107,800 in June.

The smallest price increase was in the Midwest, where median resale prices increased a modest $400. Some 900,000 units changed hands, down from 1 million.

Though resale figures are up nationally from last year, Tuccillo said they are still below normal June levels.

NAR President William M. Moore, attributed the slowdown to rising interest rates.

"A slightly upward move in interest rates is all it takes to keep a borderline buyer from getting a home of his own," Moore said.

That's up from 9.27 percent in May, but below the 10.20 percent rate for the same period last June.

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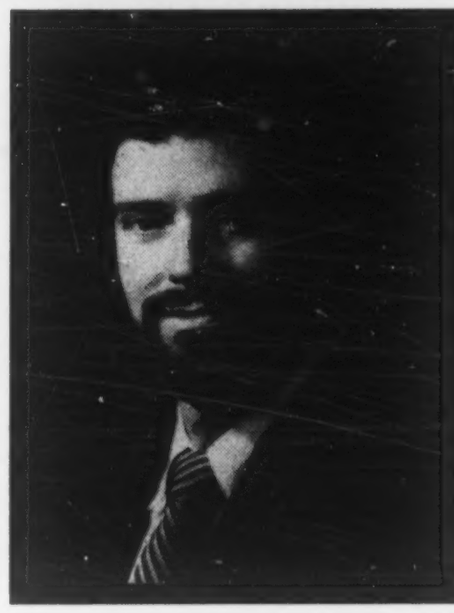
LUMBER REPORT

Trade groups can provide help with lumber products



"If you're serious about training your lumber salespeople and want to provide them with a broad view on markets and wood promotion, investigate how these groups can help."

Hawk Furman

By Hawk Furman
Special to NHCN

BOSTON — Chances are that your lumber and panel board departments are not utilizing a tremendous resource available to them.

Nonprofit lumber associations like The Western Wood Products Association and the American Plywood Association offer many services which can help educate and train your salespeople.

They also provide a broad view of market trends and projections and offer promotion ideas that can increase your lumber and panel board sales.

Western Wood Products Association

The Western Wood Products Association (WWPA) represents 75 percent to 90 percent of all Western United States lumber manufacturers.

They publish a weekly newsletter called *Plumb Line* which gives an overview on the market including statistics on housing starts and consumption. They also provide a weekly update on production, orders, shipments and inventories of Western mills. It can be a tremendous help in making purchasing decisions.

The WWPA last year distributed more than 1.3 million pieces of literature, 50 percent were plan sheets and idea books.

A small story in the *Washington Post* on making storage shelves brought more than 250 requests for plan sheets. The association has field representatives throughout the U.S. which can help on problems relating to Western lumber. They also provide seminars on grading and usage.

Members of the American Plywood Association (APA) produce more than 80 percent of construction and industrial panels made in the the United States.

It is a market-oriented association which researches and develops new ideas for panel uses. Their *Handy Plan Catalog* contains plans for 50 projects including bunk beds, sheds and work benches. Each has easy-to-follow instructions and materials list.

The APA provides sales training specifically geared to the DIY market. Their correspondence course can teach salespeople the basics on structural wood panels.

Also available are cassettes, slides and video tapes on the uses of panels and the manufacturing process. These cover plywood, waferboard, O.S.B., particle board and composite panels. These programs can be borrowed free for 14 days or purchased for $50.

Technical help provided

The *APA Dealer Reference Binder* lists product data and brochures to help retailers respond quickly to common questions.

The *APA Panel Selector Guide* is a full-size wall poster which describes the most commonly used construction and DIY panel grades.

The APA also provides technical help and field reps to reduce panel problems and provide educational seminars geared to your needs.

Two other associations, the Southern Forest Products Association and Northeast Lumbermen's Association also provide helpful services.

If you're serious about training your lumber and panel board salespeople and want to provide them with a broad view on markets and wood promotion, investigate how these groups can help.

For more information write WWPA, Yeon Building, 522 SW 5th Ave., Portland, Ore., 97204-2127; APA, P.O. Box 11700, Tucoma, Wash., 98411; SFPA, P.O. Box 52468, New Orleans, La., 70152; and NELMA, 4 Fundy Rd., Falmouth, Mass., 04105.

Hawk Furman is president and ceo of Furman Lumber in Boston.

Plano dealers say law barring wood shingles won't hurt them

By an NHCN staff editor

PLANO, Texas — Home center and lumberyard operators in this affluent Dallas suburb do not expect their businesses to be adversely affected by a law banning untreated wood shingles.

"I don't think this is going to have any effect on our business," said Danny Mullin, store manger of American Building Centers, an independent operator. "We were lucky enough to sell our inventory before the law went into effect."

But a Payless Cashways store manager said the law may mean the store will sell a higher priced product.

"We did quite a bit of business with wood shingles," said Dave Nichols, of the Payless Cashways unit. "We had good inventory turns on those products, so I just guess it will mean we'll find some of the fire-treated products.

"I'm not too surprised by this law, though. We had several large houses that burned to the ground this year."

The Plano City Council, representing a town of 115,000 people just north of Dallas, voted last month to outlaw the use of wood shingles that do not meet a Class-C fire retardant requirement.

A Class-C fire rating purportedly means that a roof will not catch fire if ambers from a separate burning structure are blown onto it. Similarly, a Class-C roof will not produce windblown ambers if a fire works its way to the roof.

Along with Dallas, Houston and Richardson, Plano becomes the 51st city in Texas to prohibit the use of untreated shingles in the past eight years, according to a group that has a lot to gain from the measure, the Asphalt Roofing Manufacturers Association (ARMA). Despite the bans, Texas still uses more wood shingles, treated and untreated, annually than any other state.

Mike Westfall, manager of the Red Cedar Shingle & Handsplit Shake Bureau, condemned the law, arguing that such bans usually prompt competing roof product manufacturers and retailers to raise their prices for extra margin.

"In addition to the price rise for competing materials like tile and composition shingles, people begin using low grade asphalt roofs and then we're talking about downturn in the desirability of the neighborhood," Westfall said.

In addition, Westfall said the wood shingle roofs were unfairly singled out by city fire administrators who, he said, have been unable to maintain adequate fire fighting forces which have been depleted in Plano and other Texas cities as the result of a recession.

MERCHANDISING

Designers list consumer preferences in new kitchens and baths

Charts show percent of designers responding

CONSUMER CONCERNS	
Ease of care	58%
Durability	58%
Color	57%
Cost of material	44%
Resale value	42%
Versatility	40%
Installation cost	31%

FAVORITE BATH COLORS	
Pastels	57%
Neutrals	27%
Earth tones	24%
White	23%

KITCHENS	
Neutrals	34%
Pastels	31%
White	30%
Earth tones	28%

Source: Tile Council of America

NHCN chart

Survey says trend toward bigger kitchens and baths will continue

By an NHCN staff editor

NATIONAL REPORT — If the prognostications of designers are correct, both kitchens and baths will get bigger over the next five years.

That may surprise some observers since kitchens and baths have been expanding in the past several years and there may be a perception that it's time for the trend to end.

Yet, the Tile Council of America, using data from a survey conducted during the recent Kitchen and Bath Industry Show in Atlanta, found that designers feel the expansion trend should continue. The show was sponsored by the National Kitchen and Bath Association, (NKBA).

"Many home design trends fade quickly," said NKBA president Francis Jones, in a prepared statement.

"But this trend, which started a few years ago, seems to be gaining momentum."

The survey showed 86 percent of responding designers, distributors, contractors and retailers felt bathrooms would grow in size in the next five years.

More features

Nearly three-quarters of the respondents said the same about kitchens.

The survey also asked attendees what features they expect will increase in popularity with consumers by the year 2000.

Close to half the respondents cited exercise equipment, separate shower and tub areas, electronic equipment such as telephones and intercoms, saunas and steam rooms, and bathrooms that open to other rooms.

About 30 percent of respondents said accommodations for the elderly and handicapped would become more popular; less than 20 percent said antique fixtures would rise in popularity.

The same respondents were asked what features they felt would be more popular by 2000.

More than three-fifths said larger rooms. More than half said high-tech fixtures and appearances.

About 40 percent cited electronic equipment such as telephones and intercoms, and about the same percentage said table islands in kitchens would increase in popularity.

Favorite colors

A fifth of the respondents said exterior facing kitchens would become more popular, while only 15 percent said interior facing kitchens would increase in popularity.

Pastels were the favorite colors in bathrooms. Some 55 percent of respondents said pastels would increase in popularity over the next five years.

Less than a third of respondents pointed to other colors such as neutrals, earth tones and whites.

In kitchens, some 34 percent of respondents said neutral colors would become more popular. In declining order, respondents also cited pastels, whites and earth tones.

According to the survey, it seems that ease of maintenance tops the list of concerns consumers have about kitchens and baths; 58 percent said it is the consumer's greatest concern.

About the same percentage cited durability, and color.

Only 44 percent cited costs of materials, while 42 percent cited increased retail value. Some 40 percent felt versatility was of greatest concern to consumers.

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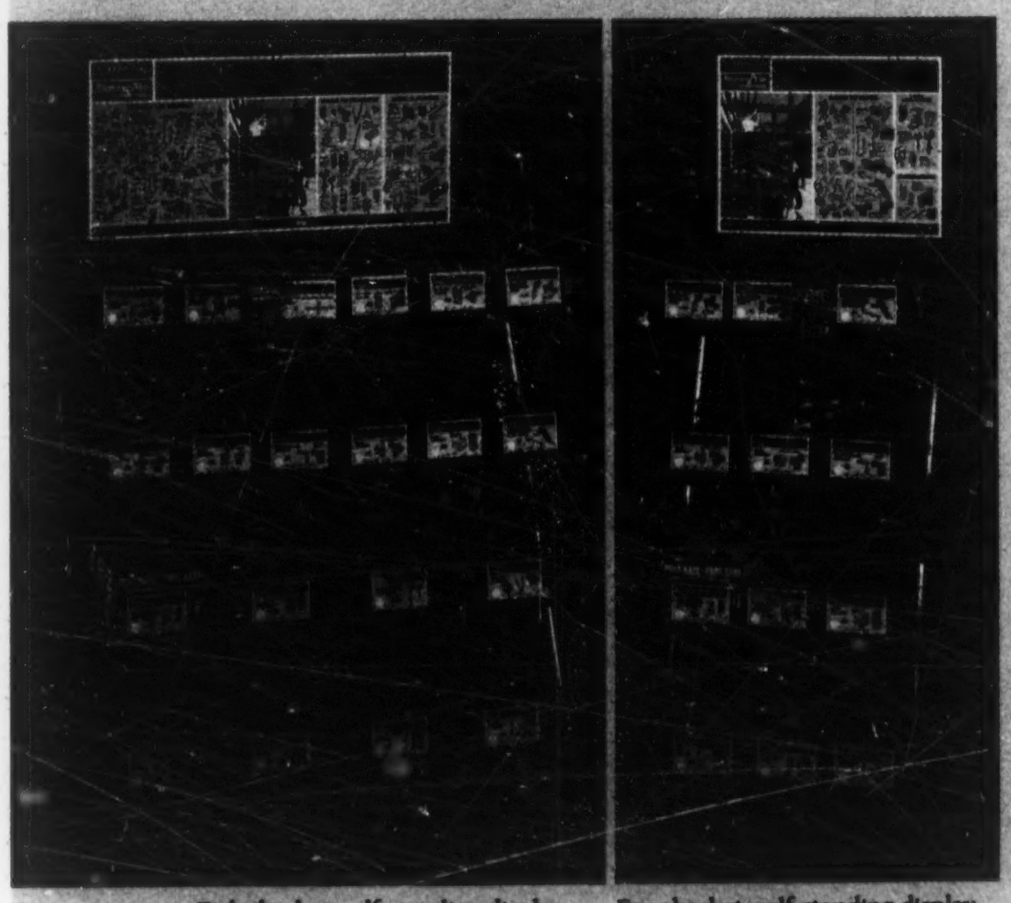
Typical twelve foot gondola display.



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For more information about the Simpson Strong-Tie "No Equal" dealer program, contact your Simpson Strong-Tie distributor or sales representative.

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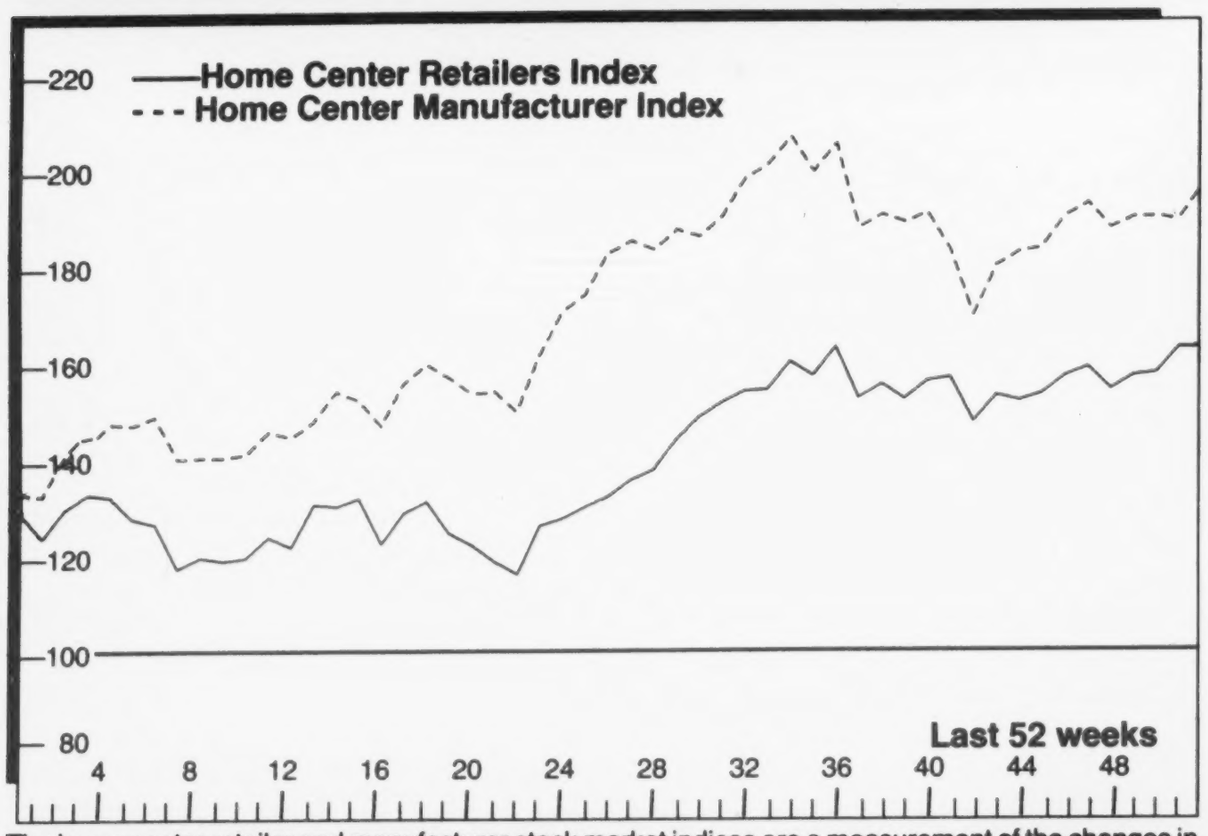
FINANCIAL NEWS

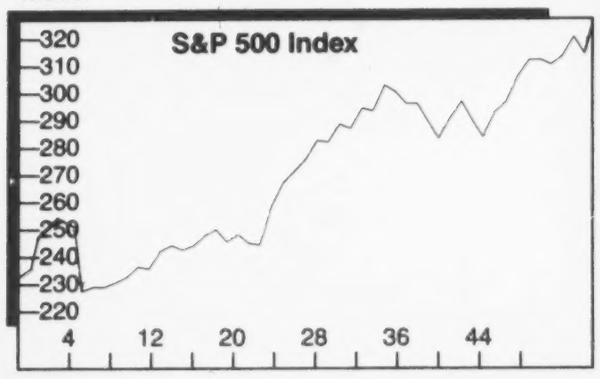


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on August 7, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
8-7-87		(100)	%	%
Macmillan Bloedel	M	42,747	467.6	5.4
Ply-Gem	A	4,210	344.9	13.3
Std Brd Prt	N	28,417	340.8	9.1
Natl Lumber	M	793	327.3	15.8
Am Standard	N	17,647	324.8	3.9
Waxman Ind	M	2,278	309.4	19.7
Natl Hardgoods	M	613	295.2	13.3
Scotty's Inc	N	2,888	270.4	4.4
Strober Organiz	M	1,991	260.9	- 2.1
Armstrng Wrld	N	29,322	255.7	12.2

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market		2-Weeks Ended 8-7	2-Week Price Change	Total 2-Week Volume
8-7-87		$	%	(100)
Waxman Ind	M	11.38	19.7	2,278
Potlatch Cp	N	36.75	19.0	8,635
Home Depot	N	39.88	16.4	13,598
Natl Lumber	M	5.50	15.8	793
Pope & Talbot	N	23.13	15.6	3,581
Wolohan Lumber	M	16.75	14.5	2,886
Weyerhaeuser	N	54.75	13.8	55,138
Ply-Gem	A	17.00	13.3	4,210
Natl Hardgoods	M	8.50	13.3	613
Union Camp	N	45.00	13.2	29,726
Losers		$	%	(100)
Clairson Intl	M	10.38	- 9.8	3,340
Am Woodmark	M	14.75	- 3.3	897
Pay n Pak	N	20.13	- 3.0	1,456
Strober Organiz	M	11.75	- 2.1	1,991
Mor-Flo Inds	M	12.00	- 2.0	126
Hughes Supply	N	27.38	- 1.8	577
Supermkts Gen	N	39.25	- 1.6	5,998
Lewis Palmer	M	8.63	- 1.4	1,449
Newell Co	N	37.75	- .7	2,399
K mart Cp	N	45.13	- .3	53,960

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price: 2-Weeks Ended 8-07-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Grossman's Inc	M	9.00	.13	1.4	9.13	8.63	11.25	6.75	21,968	10.98	3.58	206.7	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A	M	24.50	.50	2.1	24.63	22.25	24.63	16.00	5,227	4.78	2.88	66.0	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	24.50	.50	2.1	24.50	22.75	24.75	16.25	745	.45	.32	40.6	24.5	.06	.2	.....	3 mos.	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot	N	39.88	5.63	16.4	40.00	34.13	40.00	16.50	13,598	4.89	2.47	98.0	35.3	.02	.1	.....	3 mos.	04-87	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc	N	52.38	2.25	4.5	53.13	49.50	53.13	36.63	6,827	2.39	2.09	14.4	15.9	1.60	3.1	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp	N	45.13	- .13	- .3	46.75	44.38	46.75	28.84	53,960	2.70	1.40	92.9	14.7	1.16	2.6	.....	3 mos.	04-87	5594.4	7.3	115.5	26.1	.57	21.3	5594.4	7.3	115.5	26.1	.57	21.3
Lowe's Cos	N	28.75	2.00	7.5	29.13	26.13	32.75	22.50	13,754	3.47	1.46	137.7	20.1	.44	1.5	.....	3 mos.	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Natl Hardgoods	M	8.50	1.00	13.3	8.75	7.75	10.00	6.88	613	4.98	1.26	295.2	12.1	.00a	.0	.....	3 mos.	04-87	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Natl Lumber	M	5.50	.75	15.8	5.75	4.75	7.50	4.00	793	1.41	.33	327.3	NE	.00	.0	.....	*	04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak	N	20.13	- .63	- 3.0	21.00	20.00	21.50	9.50	1,456	1.46	6.88	- 78.8	25.8	.40	2.0	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash	N	24.38	1.50	6.6	24.50	22.75	26.88	15.88	12,669	3.66	1.89	93.7	19.2	.16	.7	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc	N	14.88	.63	4.4	15.88	14.00	15.88	12.00	2,888	2.00	.54	270.4	20.1	.52	3.5	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck	N	55.13	3.50	6.8	55.88	51.38	56.00	39.00	71,965	1.91	.99	92.9	13.4	2.00	3.6	NEW	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Prt	N	31.63	2.63	9.1	31.88	29.63	31.88	20.50	28,417	25.30	5.74	340.8	23.8	.60	1.9	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Strober Organiz	M	11.75	- .25	- 2.1	12.25	11.00	15.25	10.50	1,991	3.32	.92	260.9	11.8	.00	.0	.....	3 mos.	03-87	21.3	19.0	1.0	42.9	.17	21.4	21.3	19.0	1.0	42.9	.17	21.4
Supermkts Gen	N	39.25	- .63	- 1.6	40.00	38.75	46.75	22.50	5,998	1.56	1.64	- 4.9	25.7	.28	.7	.....	3 mos.	04-87	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes Cos	A	4.25	.00	.0	4.38	4.00	5.63	3.13	50,531	2.11	1.71	23.4	7.1	.00	.0	.....	3 mos.	04-87	1540.4	54.8	82.7	426.8	.34	1600.0	1540.4	54.8	82.7	426.8	.34	1600.0
Wolohan Lumber	M	16.75	2.13	14.5	17.13	14.75	16.75	7.50	2,886	4.92	1.68	192.9	13.6	.20	1.2	NEW	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp	N	30.88	.88	2.9	31.00	29.00	32.88	20.75	47,781	8.10	5.26	54.0	18.9	.40	1.3	.....	3 mos.	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers																														
Hughes Supply	N	27.38	- .50	- 1.8	28.50	26.75	28.50	20.63	577	1.75	.71	146.5	12.7	.40	1.5	.....	3 mos.	04-87	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4
Moore Handley	M	8.50	.75	9.7	8.50	7.75	15.00	6.75	738	2.96	1.50	97.3	19.3	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer	M	8.63	- .13	- 1.4	9.00	8.50	9.88	7.25	1,449	3.62	1.62	123.5	21.6	.28	3.2	.....	3 mos.	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanline Inc	M	13.25	.75	6.0	13.75	12.50	13.75	8.00	537	3.16	1.75	80.6	12.5	.32b	2.4	.....	6 mos.	04-87	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers																														
Am Consum Prods	M	13.75	1.25	10.0	14.25	13.75	14.25	8.50	305	1.47	2.71	- 45.8	20.5	.00	.0	NEW	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard	N	50.38	1.88	3.9	52.00	48.50	52.00	36.00	17,647	5.48	1.29	324.8	13.5	1.80	3.6	NEW	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark	M	14.75	- .50	- 3.3	15.13	14.75	17.13	10.00	897	1.30	.59	120.3	14.6	.00	.0	.....	fiscal	04-87	29.3	20.1	1.5	25.0	.22	- 4.3	115.8	18.9	6.8	51.1	1.01	12.2
Armstrng Wrld	N	43.75	4.75	12.2	47.25	38.75	47.25	24.88	29,322	6.19	1.74	255.7	15.1	.90	2.1	NEW	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker	N	26.13	.38	1.5	26.38	25.00	26.38	15.25	21,529	3.71	2.39	55.2	36.3	.40	1.5	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade	N	80.38	8.38	11.6	80.50	71.50	86.88	51.50	17,271	5.93	2.05	189.3	20.7	1.90	2.4	NEW	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1848.2	.2	75.4	33.9	2.47	30.0
Certain-teed	N	43.63	2.88	7.1	43.63	40.75	43.63	26.88	1,957	1.03	.62	66.1	13.8	1.00	2.3	.....	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl	N	39.75	4.38	12.4	40.13	35.13	43.50	23.25	43,754	4.64	2.13	117.8	11.0	.64	1.6	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl	M	10.38	- 1.13	- 9.8	11.25	10.00	18.25	10.00	3,340	6.56	2.94	123.1	24.1	.00	.0	NEW	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus	N	68.88	4.88	7.6	69.13	63.88	69.13	37.75	17,578	3.54	1.48	139.2	21.4	1.68	2.4	NEW	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	16.8	1.47	14.0
DeSoto Inc	N	40.38	1.25	3.2	40.38	39.00	43.75	34.25	305	.77	.80	- 3.8	25.9	1.40	3.5	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp	N	51.00	4.88	10.6	51.25	45.50	51.25	30.75	7,191	2.31	.83	178.3	NM	1.60	3.1	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.92	29.6	1231.6	18.7	56.8	42.0	1.82	30.9
Georgia Pacific	N	46.00	4.13	9.9	46.50	41.88	52.75	29.75	67,588	6.11	2.21	176.5	12.4	1.00	2.2	.....	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp	N	23.25	.00	.0	23.63	22.25	26.25	18.31	5,746	2.76	1.14	142.1	14.7	1.00b	4.3	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific	N	32.38	1.63	5.3	33.50	30.50	39.63	23.06	28,331	7.40	2.11	250.7	13.4	.80b	2.5	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel	M	21.88	1.13	5.4	22.50	19.75	22.38	8.44	42,747	4.20	.74	467.6	NA	.68	NA	NEW	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp	N	4.00	.00	.0	4.13	3.75	5.38	1.63	14,145	5.89	5.00	17.8	.9	.00	.0	.....	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp	N	36.00	2.25	6.7	37.00	33.88	40.88	23.50	29,414	2.22	.90	146.7	20.8	.40	1.1	NEW	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds	M	12.00	- .25	- 2.0	12.25	11.75	15.00	11.50	126	.50	.40	25.0	41.4	.01	.1	.....	3 mos.	03-87	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co	N	37.75	- .25	- .7	39.13	37.50	39.75	24.00	2,399	2.09	1.13	85.0	16.3	.84	2.2	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc	N	14.00	.25	1.8	14.63	13.63	17.38	11.75	4,446	2.74	1.00	174.0	11.3	.10	.7	NEW	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn	N	25.75	2.13	9.0	26.75	23.25	32.38	8.88	24,817	6.62	3.93	68.4	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem	A	17.00	2.00	13.3	17.63	14.88	18.13	10.00	4,210	5.25	1.18	344.9	17.9	.12	.7	.....	3 mos.	03-87	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot	N	23.13	3.13	15.6	23.25	19.88	24.50	8.88	3,581	2.98	1.11	168.5	10.5	.44	1.9	NEW	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp	N	36.75	5.88	19.0	37.25	30.50	41.88	25.75	8,635	3.23	1.42	127.5	13.4	.84	2.3	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds	N	48.63	1.50	3.2	51.00	46.38	53.50	30.13	30,219	2.53	1.33	90.2	17.4	1.08	2.2	.....	3 mos.	03-87	1260.8	10.9	86.9	25.6	.73	23.7	1260.8	10.9	86.9	25.6	.73	23.7
Sherwin-Wms	N	35.00	1.63	4.9	35.25	32.75	38.50	22.75	11,156	2.51	.85	195.3	14.5	.56	1.6	NEW	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works	N	34.00	2.50	7.9	34.50	31.63	35.88	23.84	4,140	.97	.52	86.5	17.0	.76	2.2	NEW	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds	N	20.63	1.25	6.5	20.63	18.88	22.63	15.50	796	.80	.34	135.3	14.7	.68b	3.3	NEW	6 mos.	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind	N	40.75	1.38	3.5	41.50	39.25	41.50	23.13	6,445	2.67	1.72	55.2	16.2	.12	.3	NEW	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp	N	45.00	5.25	13.2	45.50	38.75	48.19	30.34	29,726	4.04	1.39	190.6	19.3	1.16	2.6	NEW	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp	N	39.63	3.63	10.1	41.38	36.00	46.50	31.00	27,921	5.46	1.68	225.0	9.1	1.12	2.8	NEW	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim	N	60.13	1.63	2.8	62.38	58.13	62.38	32.41	57,883	14.58	4.14	252.2	17.2	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind	M	11.38	1.88	19.7	11.75	9.63	13.25	6.34	2,278	3.48	.85	309.4	15.8	.08	.7	NEW	9 mos.	03-87	31.0	22.5	.9	28.6	.15	- 34.8	84.7	20.8	2.5	38.9	.40	- 31.0
Weyerhaeuser	N	54.75	6.63	13.8	55.00	47.75	60.00	32.00	55,138	4.07	1.70	139.4	21.7	1.30	2.4	NEW	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Florida DIY hard goods mall to file for liquidation

(Continued from page 1)

"They opened with the intent of operating a good business," said Howard Alabaster, HOME's attorney who expected to file the petition the week of August 10.

The decision to liquidate—which Alabaster attributed to the unavailability of bank financing and inadequate private investment which left HOME with "no alternative"—came just three weeks after HOME's Coral Springs store opened. It prompted one local newspaper to quip that "Even bad, off-Broadway shows run longer."

Walter Bozdek, the founder and president of HOME who was a former store layout designer for Mr. HOW, did not return several messages left by *NHCN* with his home's answering machine. Earl Aaronson, senior vp, deferred all questions to Alabaster.

Vendors, investors and others knowledgeable about HOME's operations asserted that HOME has no known assets and owes some 400 suppliers about $2 million.

These same sources, most speaking on the condition they not be named, alleged that HOME's officials indulged in a string of improprieties and confusing business maneuvers that have cloaked the bankruptcy in mystery.

"Thorough disgust sums up my feelings about what went on there," said Tom Grelich, a 30-year industry veteran and a key merchandise director at HOME who was one of several company officials bolting HOME after discovering what they allege to be murky corporate strategies and delinquent bill paying.

In its conception, HOME was original: a mall environment where a variety of home improvement-related specialty stores would operate.

And through a private stock placement (which investors bought 600 shares of preferred stock at $46 a share and 10,000 shares of common at a penny a share) HOME raised about $850,000 for start-up costs. HOME intended eventually to go public and initially offer its common stock at between $5 and $10 per share.

Investors—several of whom claiming they were enticed into the deal by Florida manufacturers reps who were enthusiastic about HOME's prospects—admitted to *NHCN* that in HOME they saw another Home Depot, and were not going to let this opportunity slip through their fingers.

"Our owner 10 years ago had a chance to be the initial ceiling fan supplier for Home Depot and to become one of its initial investors but passed on it," said Timothy Mahoney, national sales manager for Enco, Fort Worth, Texas. 'We felt the HOME situation could prove to be a good investment."

But vendors and investors interviewed this month broached questions over the way HOME tendered its stock; represented its financial condition to investors; transferred unpaid-for merchandise between stores; and presented the intent—ultimately jettisoned—by a Canadian firm to purchase HOME.

While details about HOME's management competence and demise are sorted, the liquidation promises to be messy, with several vendors and investors expected to pursue legal remedies to recoup their losses.

Angelo Brothers Lighting, Philadelphia, has hired a Florida law firm to help recover some of the $40,000 to $50,000 in merchandise it shipped.

Robert Lieberman, president of Moss Fans in Deerfield Beach, Fla., shipped HOME only on consignment with the understanding that his firm be paid daily. Even with this arrangement, his company stands to lose at least $20,000.

"I won't deny it, I made a bad business decision," said Lieberman. "But when a guy says he will pay you every day . . . It really makes a sad commentary."

"I thought [Walter] was sincere about making this business work," added Patrick McLaughlin, vp-marketing for Turco, the DuQuoin, Ill., barbecue grill vendor still owed around $150,000. "Now I don't know what to think."

Goodbuys' new store fills void

(Continued from page 3)

For example, customers can touch and feel dimmer switches and locksets displayed alongside the product. There is a working model of a garage door opener and special glass cupboard doors in the kitchen department show how storage items are fitted.

But the dazzle and excitement of the Goodbuys style is still there. Arresting mannequins with no upper bodies, clad in overalls and working boots, highlight endcaps and attract the store's customers to Goodbuys' 50,000 stock-keeping units.

Goodbuys' six-man visual display team needed all the flair they could muster to convert this former Two Guys store, vacant seven years.

The store has an odd layout formed from a combination of three buildings and a new addition. It has a long east-west aisle which connects a nine-foot-high ceiling section to the dramatic 35-foot-high warehouse area and a mezzanine.

The mezzanine was cut away to show an oak balcony and red trim visible from the rest of the store.Customers approaching by elevator or stairs can see the vivid red-checked backdrop of the new lifestyle and furniture section.

Vendors' operating margins rebound

(Continued from page 1)

Operating margins are rebounding significantly, and are projected to remain strong through the end of this year. Recent reports from Value Line showed a majority of such vendors should have operating margins higher this year than last.

"I was somewhat concerned going into the year, because economists were saying people were spending more than they could afford," said Ed Weadock, vp of marketing and sales at Cooper Group, Raleigh, N.C.

"But the concern never materialized," he added. "We haven't been experiencing a booming market, but we have seen steady growth."

Ronald F. Gilrain, vp of public affairs for Stanley Works, New Britain, Conn., added: "Our feeling is that the consumer is still out there spending, perhaps more judiciously than before."

Cars and home refinancing captured consumers' fancies last year. But "You can only buy so many automobiles," noted John C. Nicholls, Jr., treasurer at Masco Corp., the Taylor, Mich.-based conglomerate, who's more confident about the rest of the year than he was a few months ago.

Another factor impacting vendors' financial strength has been the cost-cutting drive by companies to bring their bottom lines up faster than revenues.

"Throughout the industry, there are increased cost cutting efforts," said Wayne Kemmerer, gm of the residential lighting division of Thomas Industries, Louisville, Ky.

However, not all market conditions are rosy, and commodities vendors were more subdued. They seemed to feel a softening in housing starts would result in a year only somewhat better than 1986, with demand for their product softening in the second half.

That comes in marked contrast to their experience in the first half, when production and shipments were both significantly higher than the same period in 1986.

Production increased 15 percent and shipments 12 percent during the first six months of 1987 for the 350 manufacturers belonging to the Western Wood Products Association, Portland, Oregon.

Production increased 8 percent for the 59 firms belonging to the American Plywood Association (APA), Tacoma, Wash. "There was a lot of enthusiasm in the industry until May, when interest rates jumped and there was a softening in the housing market," said Bob Anderson, APA's director of market research.

Goodbuys has deal with Kay's

(Continued from page 3)

covering department inside the Mr. Goodbuys store.

"Mr. Goodbuys recognized the tremendous potential of the site," said Steven Kolitch, owner of Kay's Home Centers. "We both agreed to cooperate and exploit the sales value of this location."

Kay's is already reaping the benefits of operating its 12,000-square-foot "Galley of Floors" inside this newest and largest Mr. Goodbuys store, which opened on July 29.

Kay's operates three checkout registers at the entrance to the department, and is given ad space inside Goodbuys' circulars, though prices are set by the chain.

Floor coverings has long been a strength at Kay's, which prior to 1965 was a floor specialty store.

It will broaden its own floor covering department and remodel its 50,000-square-foot store.

Kay's is dropping paint and hardware to make way for the expanded department.

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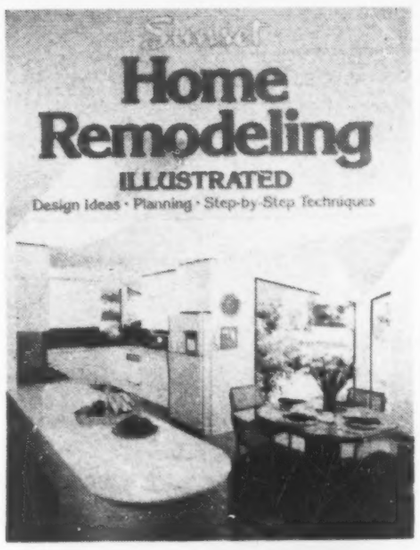

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National
Home Center News ®

Vol. 13, No. 18 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. September 7, 1987

United Hardware Distributing
1986 Results
(millions of $)

Revenues	$90.7
Cost of goods sold	80.9
Operating expenses	7.1
Operating income	2.7
Member rebates	1.5
Net income	0.5
Long-term debt	6.5
Stockholders' equity	13.7
Retained earnings	4.7
Total assets	37.2

Numbers do not add due to rounding and exclusion of items.
Source: Dun & Bradstreet
NHCN chart.

Ace Hardware fires two key execs

By John Caulfield
NHCN staff editor

OAK BROOK, Ill. — Ace Hardware Corporation has fired two key executives for what company officials are calling "various serious violations of corporate policy."

Frank A. Szymanek, the hardware co-op's vp-merchandising and advertising and its fourth-ranking official, was terminated on August 18, as was Brent L. Brown, marketing and merchandise manager supervising Ace's import program. The decision was made that day after an emergency meeting of Ace's nine-man board of directors.

Both men reportedly were escorted out of Ace's headquarters here by the company's security police.

A spokesman for Ace, director of corporate communications John Cameron, noted that there were no criminal charges filed against either Szymanek or Brown. He added that Roger E. Peterson,

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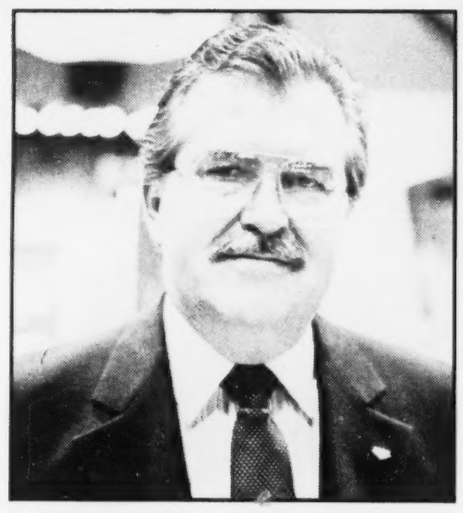
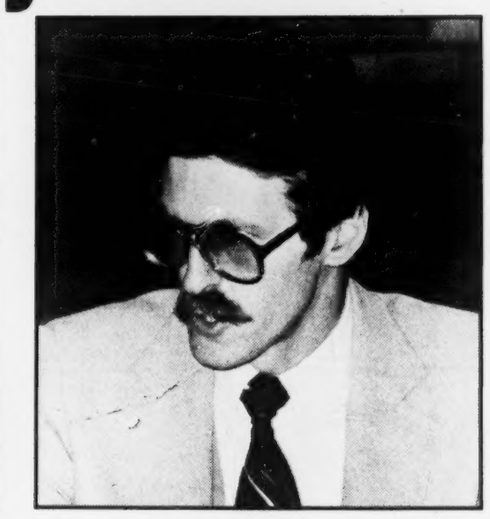


Frank A. Szymanek



Brent L. Brown

United/Pro signing boosts buying clout

By Phillip M. Perry
NHCN staff editor

MINNEAPOLIS — United Hardware Distributing, a dealer-owned buying group based here, became a member of Pro Hardware last month. The signing is expected to further both companies' efforts to buy merchandise more competitively.

The move appears to be the first time a dealer-owned co-op has joined a marketing and buying group composed of wholesalers. As such, it represents a break in the traditional Great Wall that has long separated the two channels of buying conducted by co-ops and their traditional rivals, independent wholesalers.

(Continued on page 88)

Illegal knockoffs fuel lawsuit frenzy in industry

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — Whatever else John Treble expected to find in his morning mail, it wasn't a glue gun.

The gun looked like a Li'l Sticker, produced in Massachusetts by Parker Manufacturing Co., where Trebel is executive vp-marketing. It had the same directions as Parker's gun—verbatim—and identical wording on the package. There was just one difference. The gun sent to Trebel was made in Taiwan.

(Continued on page 87)

Feds predict decline in labor force growth

By Deane Evans
NHCN staff editor

WASHINGTON — U.S. Department of Labor economists predicted a severe slowdown in both population and labor force growth in the coming decade and warned employers that they must make changes or face costly worker shortages.

While researchers for the recently released "Workforce 2000" study focused predominantly on the impact of sluggish population growth on the work force, they also indicated that home center and other retailers face a negative effect on customer numbers and sales.

"Slower population growth will lead to less demand for population-sensitive products," including housing and household items carried by home centers, they predicted. Instead, U.S. consumers during the 1990s are expected to spend their disposable income (predicted to be up as much as 2.7 percent per year) on "income-sensitive" luxury items such as restaurant meals, tourism and travel.

In the study, Federal experts forecast that population growth will drop to just 0.7 percent per year during the 1990s, resulting in labor force expansion of only 1 percent annually to the year 2000. In contrast, population growth

(Continued on page 87)

Florida dealer helps solve school shortage

Portable classrooms under construction at Causeway Lumber in Fort Lauderdale, Fla. Photo courtesy of Causeway

By Milford Prewitt
NHCN staff editor

FORT LAUDERDALE, Fla. — Causeway Lumber has entered into a lucrative deal as the main supplier of a contractor who has built some 200 portable elementary school buildings with materials supplied by the three-unit home center chain.

Causeway provided thousands of high-grade studs, exterior siding and subflooring for the school buildings that were needed to cope with the exploding population of Palm Beach County's elementary school age children.

Although Causeway can stock some 5 million square feet of lumber at any one time, the company was pressed to provide the builder with some unusually high-grade lumber products the company does not normally stock, but are called for by the Palm Beach County School board, according to Keith Hendee, Causeway's ad director.

The strict building regulations required Causeway to supply the builder—Padula Construction

(Continued on page 88)

INSIDE

Independents try their hands at diversifying 35

Louisiana home builder spins off home center business 37

Bracketless shelves catch dealers' eyes 46

Closet organizer makers expand their product lines 48

NEWSBREAKS

LONE STAR ACQUIRES WICKES UNITS: The Westlake Hardware subsidiary in San Antonio, Texas, will lease Allwoods Home Centers in Roswell and Hobbs, N.M., in a deal the closed August 20. The stores will be closed for remodeling and remerchandising, to reopen in October. In July, Lone Star commenced operation with the acquisition of four stores from Wickes. These units will be supplied by American Hardware Supply, which Westlake—an Ace Hardware member—has used for this venture.

INDUSTRY UPDATE

O'Malley closes on Sundays

PHOENIX — O'Malley Lumber Cos.' retail division has closed 12 of its 14 retail-oriented stores on Sundays as part of a test program during the summer months when business has historically been slowest in the desert chain.

Ad manager Perry Steinhoff (who left the chain on August 28) added that most stores—Building Materials Centers—have gone to shorter hours, closing at 6 p.m. instead of 7 p.m. on weekdays. Two high-traffic stores remain open until 8 p.m.

Its DIY business contribution varies between one-third and one-half of the company's sales volume. Steinhoff characterized the shorter hours as "just an experiment."

Even if the retailer loses a few customers, it would be on the impulse side of the business as opposed to the project-oriented, big-ticket sales which O'Malley now wants to emphasize, he explained.

National opens 1st unit in a year

MORENO VALLEY, Calif. — National Lumber was slated to open its 19th unit, a 57,000-square-foot unit in this fast-growing Riverside County suburb on August 28.

This is the first unit to open in the chain since the ill-fated San Bernardino unit opened in November 1985, only to be shuttered 10 months later. President Mel Jaffee said the Moreno Valley unit has "a different design and decor" than previous stores. The store is the first tenant of a major shopping center complex development, Jaffee added.

Jaffee said this was the only unit planned to open this year, with the next unit slated for February 1987 in San Diego County. He said National is negotiating for several sites in southern Orange County that could open in 1988.

Paint dealer debuts in San Diego

SAN MARCOS, Calif. — The Paint Factory, a specialty paint and home decorating chain now being developed, was slated to open its first unit on Labor Day in the San Diego County city of El Cajon.

The 35,000-square-foot store was formerly a Handyman unit. Negotiations are continuing on additional sites and company officials hope to have a total of three units open by year end *(NHCN*, March 23, 1987).

In a separate development, Dennis Schmidt, formerly data processing director for Handyman, has joined the firm as director of information systems.

The Paint Factory has established corporate headquarters in the San Diego County city of San Marcos.

Flashlight suit appeal pending

NATIONAL REPORT — A judge will hear arguments September 22 on whether Black & Decker must pay damages for patent infringement to First Alert.

First Alert, based in Aurora, Ill., was granted an injunction on July 24 against B&D enjoining the Towson, Md.-based tool supplier from using a switch patented by First Alert for rechargeable flashlights.

B&D is appealing the injunction. But it also said it has changed the design of the switch. "[The] products are no longer in production and no longer in our inventory," said Denis G. Heiner, president of B&D's Household Products Group, and says the injunction "in no way affects our dealers and customers."

However, First Alert president Fred Conforti said the court order applies not only to B&D but to "all persons in active concert and participation with it." B&D charged that First Alert is making "false or misleading statements" about the ruling and said it may seek an injunction.

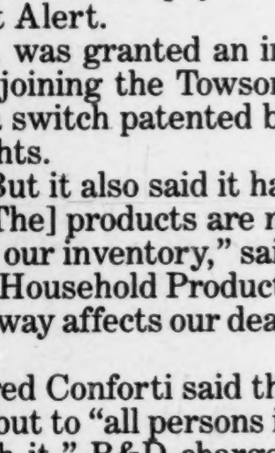
Stocks show strong growth

NEW YORK — Strong growth characterized a host of home center stocks during the two-week period that ended Aug. 21.

Of the 58 stocks tracked for *NHCN*, 37 gained in price, while 17 dropped. Four remained unchanged.

Wolohan Lumber gained 11.9 percent to $18.75. Grossman's increased 8.3 percent to $9.75. And Moore Handley increased 5.9 percent to $9.00.

Wickes Cos., which reverse-split its stock, dropped 13.5 percent to $18.38.



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Phoenix independent nurseries merge to form Garden West Dist.

By an NHCN staff editor

PHOENIX — Valley Garden Supply and Capitol Nursery Supply, each with revenues of $5 million last year, agreed last month to form a new corporation called Garden West Distributors.

The merger is intended to combine the talents of the personnel at the two companies, as well as improve return on inventories.

Additionally, the merger is intended to strengthen the firm's capabilities so it can more aggressively pursue the home center market.

Frank Kolley, president of the new firm, characterized Valley as "more promotion-minded" and Capitol as "more service oriented, and offering greater consistency." Putting the two firms together, he added, should create a much more powerful force in the marketplace.

Kolley was previously general manager of Valley. Hank Hemminghaus, formerly president of Capitol, and Bud Franklin, formerly vp of Capitol, are now both vps at Garden West. The merger is yet another event in a larger story of consolidation of wholesalers in other product categories, including the hardware and building materials fields.

Kolley said market conditions in the garden supplies field are similar to those in the hardware and building materials field. Wholesalers find themselves chasing business in a mature marketplace.

In its headquarters city, Kolley indicated that the Phoenix market "was super, but that has attracted a lot of attention, especially from California." The Home Depot has stores in the market, and Builders Square is expected to open units there as well, he said. Additionally, California wholesalers are becoming more aggressive selling to

(Continued on page 87)

Depot earnings jump 118% in 2nd qrtr.

By an NHCN staff editor

ATLANTA — The Home Depot has released second quarter results that show the company is on a continuing roll in 1987.

The chain reported revenues of $381.4 million for the three months that ended August 2. This reflected a 45 percent increase over the same period of 1986.

Earnings increased 118 percent to $15.6 million. That represented 4.1 percent of sales, a hefty improvement over the 2.7 percent of sales represented by net earnings in the second quarter of 1986.

Sales at units open one year or longer ("comparable stores") were up 20 percent. Such sales were up 21 percent for the six-month period.

The weighted average weekly store sales were $454,000 for the second quarter of fiscal 1987, up from $376,000 for the same period last year.

Earnings statement:	
Sales	$381.4
Gross profit	104.1
Operating expenses	75.3
Operating income	28.8
Interest expense	1.3
Net earnings	15.6
Balance Sheet:	
Long-term debt	$ 30.8
Equity	294.3

"We are particularly pleased with the earnings this quarter, which were generated by strong sales, together with better margin management and tight expense controls," said Bernard Marcus, chairman and chief executive officer, in a prepared statement.

Operating expenses of $75.3 million represented 19.7 percent of revenues for the second quarter. That was considerably better than the 21 percent of revenues that the $55.2 million represented for the same quarter in 1986.

Gross margins edged up slightly, to 27.3 percent, from 27.2 percent for the same quarter last year.

Another factor leading to the big earnings increase was a decline in interest expense. The company paid only $1.3 million in interest during the quarter. That was down from $3.3 million for the same quarter last year. This came about partly because the company converted some long-term debt to equity in the first quarter of 1987.

Following the conclusion of the firm's second quarter, the company opened two additional stores in central Florida to bring its store count to 67.

(Continued on page 86)

Suppliers continue to fight Fla. ad tax

By an NHCN staff editor

TALLAHASSEE, Fla. — Contrary to some national reports, the opposition by manufacturers to this state's controversial 5 percent tax on advertising does not appear to be waning.

In fact, several home improvement suppliers told *NHCN* in late August that they are continuing to fight against the tax. Florida retailers, though, appear to be less concerned about the tax's impact on their budgets.

The issue probably won't be resolved until the spring, as Florida Gov. Bob Martinez—a staunch tax proponent—has bowed to pressure from lawmakers and scheduled a mid-September special legislative session to decide if the tax will be placed on the March 8 Presidential primary ballot.

Between now and then, Florida's politicians can expect to hear from a number of home improvement suppliers.

"We do not support the tax," said James Mahoney, vp consumer business group for Rust-Oleum Corp., Vernon Hill, Ill., which was erroneously identified in *Advertising Age* as one of several companies that had reconsidered its ad pullout from the state. Mahoney said his firm is still assessing its 1988 ad budget allocation.

Joe Doherty, vp-marketing communications for Owens-Corning, Toledo, and board member for the Association of National Advertisers (ANA), said, "We're still angry about [the tax]." Owens-Corning and Armstrong World Industries are two of 22 companies involved in a lawsuit in July questioning the constitutionality of the tax.

Last month, the ANA ran a full-page ad in the *Wall Street Journal* and the *Tallahassee Democrat* asking Gov. Martinez and the legislature "to seek an alternative to the tax," while explaining the association's opposition to it.

That reconsideration is unlikely, though, in a state that constitutionally prohibits personal income taxes, and where the ad tax was expected to generate a $1 billion windfall to finance improvements in roads, schools and the like.

O-C, which advertises on

(Continued on page 87)

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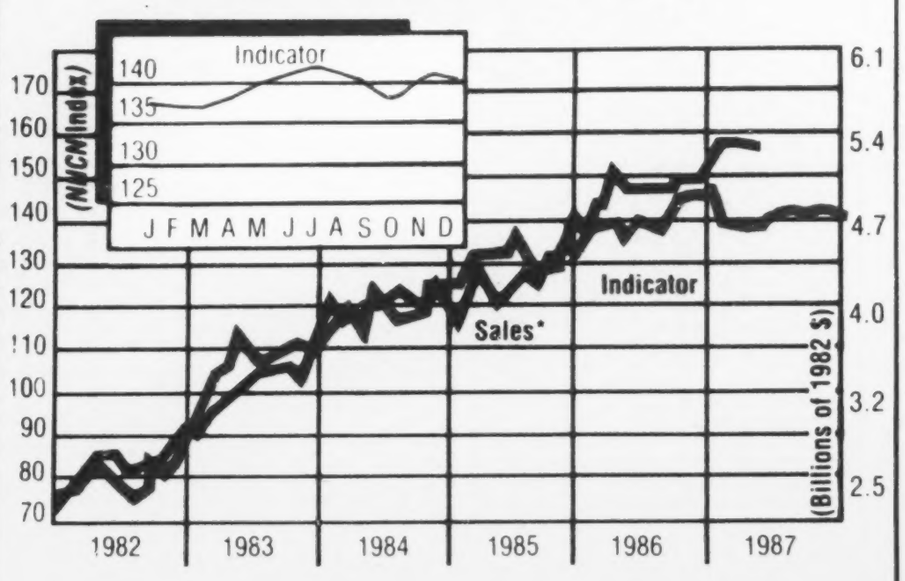
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales increased slightly in the second quarter, but the rise in mortgage rates suggests weakness in starts and resales ahead.

Building boom causes Calif. building material sales to soar

By Richard E. Mount
Special to NHCN

NEW YORK — California's building material sales growth is expected to outpace the United States' 7 percent rate, and increase by 12 percent this year, or 9 percent when adjusted for inflation.

The state's household growth, based on household demand, rose 14 percent during the 1980-1986 period, higher than the 11 percent average for the U.S. over the same time period. Basic economic measures show a similar pattern in employment, which is expanding by 3 percent in California and 2 percent nationwide.

California is in the midst of a building boom. Construction employment is 8 percent higher than last year, with San Diego and Los Angeles being two of the hot markets.

Richard E. Mount

But behind this surge in the cyclical building industry are strong sectors in trade (up 4 percent), finance (3 percent) and services (4 percent). The weak markets are manufacturing (up only 1 percent) and mining (off 5 percent). Even these latter markets have bright spots. Employment in high-tech faltered last year but is turning around. While comparison to a year ago is negative, it will be positive soon. Mining will recover as higher energy prices and lower drilling costs increase energy exploration.

(Continued on page 23)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986				1987						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	141.9	140.4	118.5	130.4	140.3
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	63,708	64,396	62,956	64,584	69,660	68,376	72,672	74,559	55,695	65,529	71,317
	New England	3,012	3,270	3,435	3,488	3,727	3,610	3,830	3,907	2,597	3,301	3,768
	Middle Atlantic	7,468	7,896	7,956	8,274	8,875	8,738	9,280	9,484	6,427	7,899	9,094
	East North Central	9,864	11,647	11,365	11,627	12,399	12,150	12,928	13,279	10,081	11,126	12,689
	West North Central	3,938	4,423	4,600	4,610	4,904	4,752	5,036	5,152	4,114	4,393	4,961
	South Atlantic	14,006	13,410	12,099	12,405	13,821	13,709	14,622	15,016	11,135	12,980	14,292
	East South Central	3,717	3,800	3,665	3,549	3,901	3,904	4,208	4,339	3,104	3,683	4,088
	West South Central	8,328	7,653	7,057	7,052	7,642	7,446	7,856	8,060	7,320	7,523	7,751
	Mountain	3,660	3,308	3,352	3,508	3,769	3,672	3,888	4,004	2,956	3,457	3,833
	Pacific	9,715	8,988	9,427	10,071	10,623	10,393	11,024	11,318	7,827	9,550	10,840
Constant	**Millions $1982 SAAR Total United States**	59,719	62,132	59,866	60,242	64,420	63,039	65,750	66,200	52,663	60,490	64,852
	New England	2,823	3,155	3,266	3,254	3,446	3,328	3,465	3,469	2,463	3,125	3,427
	Middle Atlantic	7,000	7,618	7,566	7,718	8,207	8,056	8,396	8,421	6,096	7,476	8,270
	East North Central	9,246	11,238	10,807	10,845	11,467	11,202	11,697	11,790	9,564	10,534	11,539
	West North Central	3,691	4,267	4,374	4,300	4,535	4,381	4,556	4,574	3,903	4,158	4,512
	South Atlantic	13,129	12,939	11,505	11,571	12,781	12,639	13,229	13,333	10,562	12,286	12,995
	East South Central	3,484	3,666	3,485	3,310	3,608	3,600	3,807	3,853	2,944	3,487	3,717
	West South Central	7,807	7,384	6,711	6,578	7,067	6,865	7,108	7,156	6,944	7,120	7,049
	Mountain	3,431	3,192	3,187	3,272	3,485	3,385	3,518	3,555	2,804	3,271	3,486
	Pacific	9,107	8,672	8,964	9,394	9,824	9,582	9,974	10,049	7,425	9,034	9,857
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	4.73	5.08	5.46	5.40	5.35	5.28	5.27	5.24	4.68	5.17	5.28
	Middle Atlantic	11.72	12.26	12.64	12.81	12.74	12.78	12.77	12.72	11.58	12.36	12.75
	East North Central	15.48	18.09	18.05	18.00	17.80	17.77	17.79	17.81	18.15	17.41	17.79
	West North Central	6.18	6.87	7.31	7.14	7.04	6.95	6.93	6.91	7.41	6.87	6.96
	South Atlantic	21.98	20.82	19.22	19.21	19.84	20.05	20.12	20.14	20.04	20.31	20.04
	East South Central	5.83	5.90	5.82	5.50	5.60	5.71	5.79	5.82	5.59	5.76	5.73
	West South Central	13.07	11.88	11.21	10.92	10.97	10.89	10.81	10.81	13.19	11.77	10.87
	Mountain	5.74	5.14	5.32	5.43	5.41	5.37	5.35	5.37	5.32	5.41	5.37
	Pacific	15.25	13.96	14.97	15.59	15.25	15.20	15.17	15.18	14.10	14.94	15.20
Industrial Production												
Index (1977 = 100)	Brick	90.3	91.1	94.0	96.3	98.1	96.9	95.7	94.9	88.5	92.9	96.4
	Cement	114.7	108.7	105.6	108.0	117.9	109.5	108.2	106.4	105.7	109.3	110.5
	Gypsum Wallboard	132.8	133.7	132.3	134.5	134.6	134.2	133.1	132.1	126.4	133.3	133.5
	Hardware	99.9	102.1	104.1	102.2	102.9	104.7	105.5	106.6	100.9	102.1	104.9
	Lumber Products	130.3	132.8	134.1	135.9	139.8	136.7	135.9	135.7	122.9	133.3	137.0
	Paint	101.1	103.0	100.2	96.4	100.0	98.9	104.4	105.2	101.9	100.2	102.1
	Plywood	154.5	161.4	164.3	166.8	175.6	156.2	158.4	157.6	138.7	161.8	162.0

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
August 21, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Building boom causes Calif. building material sales to soar

(Continued from page 18)

Strength in the state's economy comes from a variety of sources. California is best-positioned for the rising financial trade with Pacific nations. Los Angeles and, to a lesser extent in the past, San Francisco, are the major cities for these transactions. The decline in the dollar improves tourism, a major industry for the state. Defense spending may not be surging as in recent years but the level is still high, especially in San Diego, Los Angeles and San Francisco.

Resales surged in the second half of 1986, and jumped 19 percent for the full year, as second and investment homes were sold in order to take advantage of capital gains under the old tax law. While resales softened in the first quarter of 1987, they recovered sharply in the spring.

Resales will remain strong this year and next, as new homes become more expensive and less available. New home prices in California face higher developer fees, about $2,500 in many areas, to pay for education. Developers are also required to foot a larger share of road, sewer and water construction. By increasing the price of new homes, demand for resales will rise. For dealers, the gains will help the DIY market.

Southern California—Los Angeles and San Diego in particular—is the stronger half of the state. In the Los Angeles metropolitan area, there is a contrast between good growth and explosive growth. Downtown employment is expanding at a 2.4 percent clip, still higher than the national average. But Riverside is up 6.3 percent and Anaheim 4.5 percent. Proposition U was passed last year to restrict growth, but this will only push commercial development into the Los Angeles suburbs, away from the central business district.

San Diego employment is rising 4.5 percent above a year ago. While the city once had near-total dependence on the military, it is shifting into diversified manufacturing and tourism.

It has announced a cutback in the number of building permits that will be issued in the future, but this will only move development away from the coast. By increasing the cost of new housing, the number of resales will rise, boosting sales.

The Bay Area is headed in three different directions. Employment growth in San Francisco is soft, up only 1.5 percent from a year ago. High housing prices and business costs are encouraging firms to move out of the city.

The East Bay Area, where Oakland is the largest city, is benefiting from the out-migration of jobs from San Francisco. One of the stronger sectors of the local economy remains tourism. Employment in Oakland is up 4 percent from a year ago.

The third major city in the Bay Area is San Jose, where employment is up only 0.2 percent from last year. This is Silicon Valley country, and the computer industry underwent a major correction in 1986. Business is improving now, and employment growth will be strong in 1988.

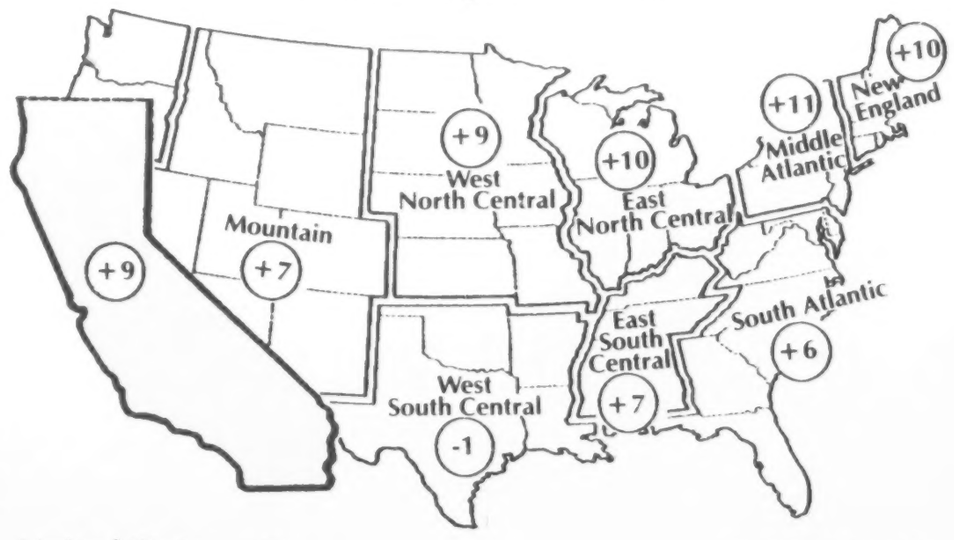
Sacramento, the state capital with a concentration in government employment, is enjoying strong growth—up 4.5 percent from last year. The revitalization of the old section of town into a tourist haven provides additional strength to the retail sector.

The diversified California economy continues to rise faster than the national average, increasing building materials sales 9 percent this year in unit volume. While some areas of the state are not as strong as others, many—such as San Jose—are in the process of recovery.

There have been a number of initiatives within the state to slow new construction, but it appears that they will make resales more attractive in the future, another plus for home improvement dealers.

Building Material and Supply Store Sales Outlook for 1987

Percent Change Unit Volume



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Merrill Lynch Economics

Sales are real dollar increases vs. previous year after inflation.

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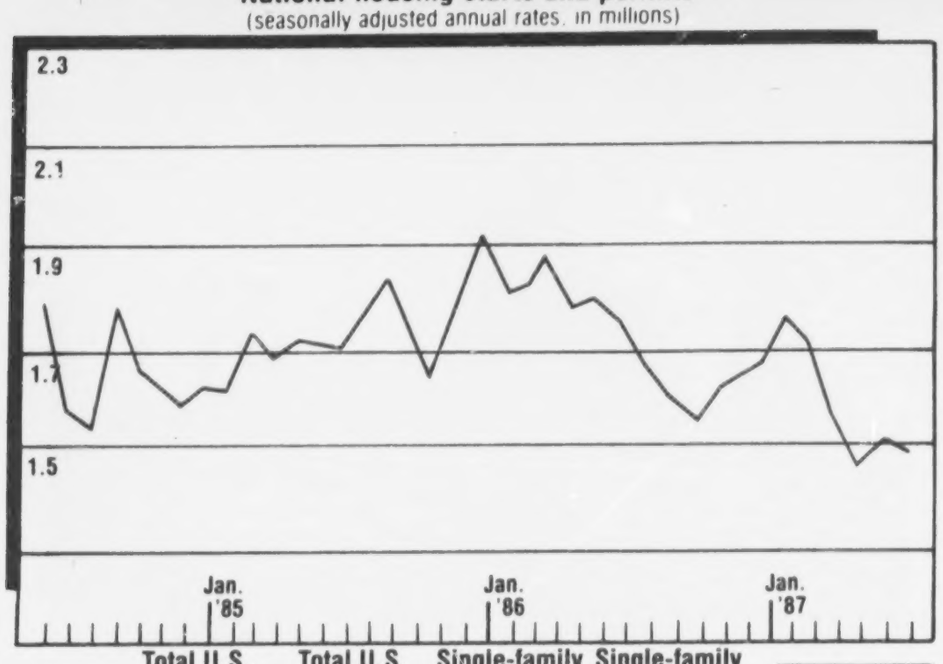
HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

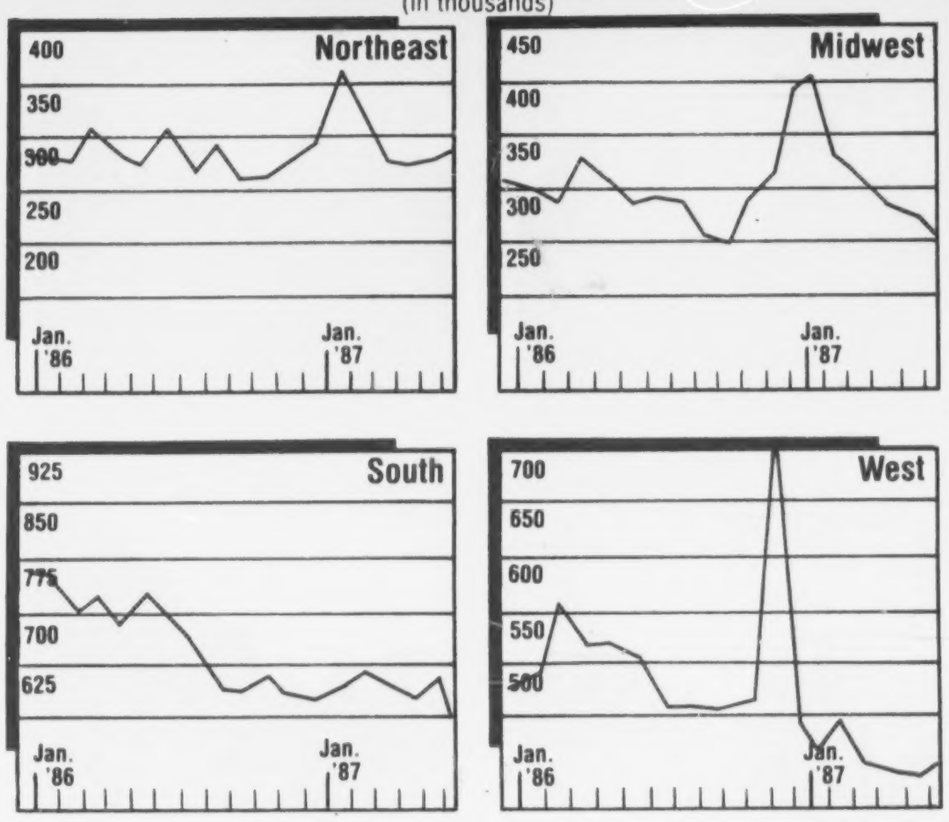


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
July '87[p]	1,611	1,488	1,159	993
June '87[r]	1,590	1,517	1,096	1,039
July '86	1,786	1,778	1,147	1,098

[p]preliminary [r]revised Source: U.S. Commerce Department

Key: permits, starts

Regional housing starts and permits
(in thousands)



Start, permit action causes confusion with economists

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — Housing starts were up in July, but building permits were down, prompting a cautious reaction from economists and construction industry observers.

The U.S. Commerce Department said starts rose just 0.9 percent nationally to 1,611,000 from 1,590,000 in June. But they were down from last July's 1,786,000.

Permits declined 1.9 percent from 1,517,000 in June to 1,488,000 in July. A year ago, 1,778,00 permits were issued.

Despite the drop, "we see continued strength in the single-family market for the remainder of the year," said David Fondelier, a U.S. Commerce Department spokesman.

"The housing market has settled down again after suffering from rising interest rates in May and June," said Lyle Gramley, chief economist for the Mortgage Bankers Association.

Regional Housing
July '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	288	+ 9.0	282	+2.2
West	437	+ 0.2	404	+9.2
South	639	+ 5.8	550	−9.1
Midwest	247	−15.7	252	−5.3

n.c. = no change
Source: U.S. Commerce Department

But Gramley added, "We're looking at changes in starts and permits which are still too small to indicate a clear trend one way or another."

The South was hardest hit by declines in permits, experiencing a 9.1 percent drop. That was countered by a 9.2 percent increase in permits in the West. The Northeast posted a 2.2 percent gain, while the Midwest showed a 5.3 percent drop.

The Midwest showed a 15.7 percent decline in housing starts, but Fondelier warned that could be misleading.

"The sampling error in the Midwest is [plus or minus] 6 percent," he said. "So we really don't know if that figure represents the actual decline."

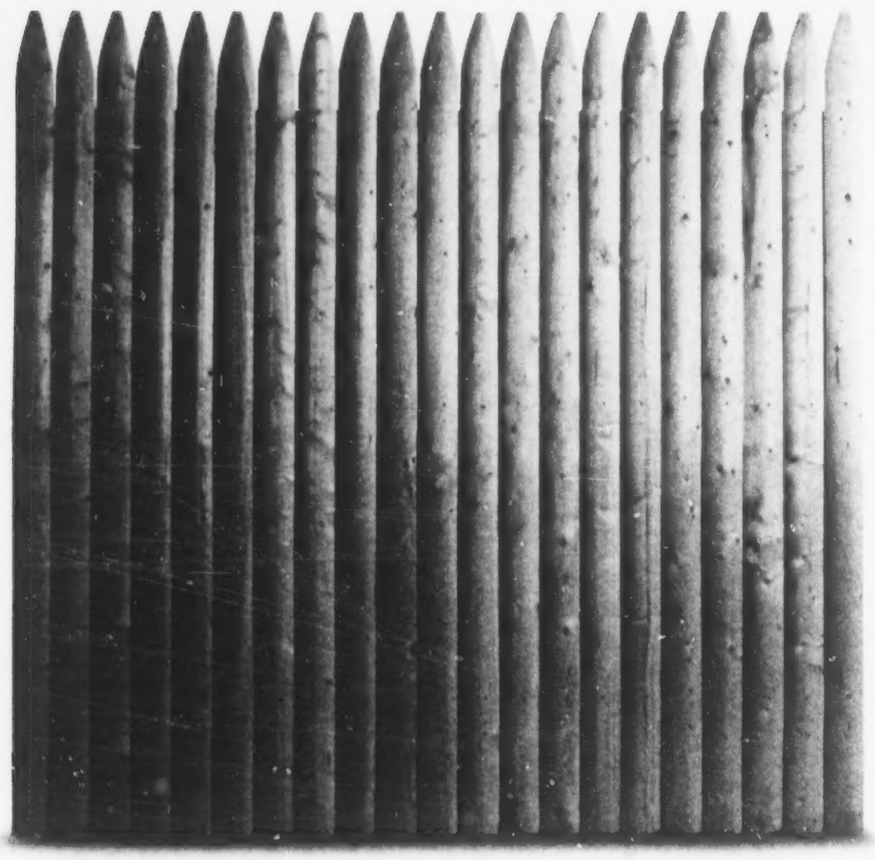
The sampling error for the country is plus or minus 3 percent, Fondelier said. But in the regional breakdowns the sample is smaller, so the margin for error is greater.

Starts were up 9.1 percent in the Northeast; 0.2 percent in the West and 5.8 percent in the South.

Single-family starts for July rose to 1,159,000 from 1,096,000 in June. They were also up from 1,147,000 a year ago.

But permits for single-family home construction were down, from 1,039,000 in June to 993,000 in July. That compares with 1,098,000 permits for July 1986.

What's the biggest difference between these two fences?



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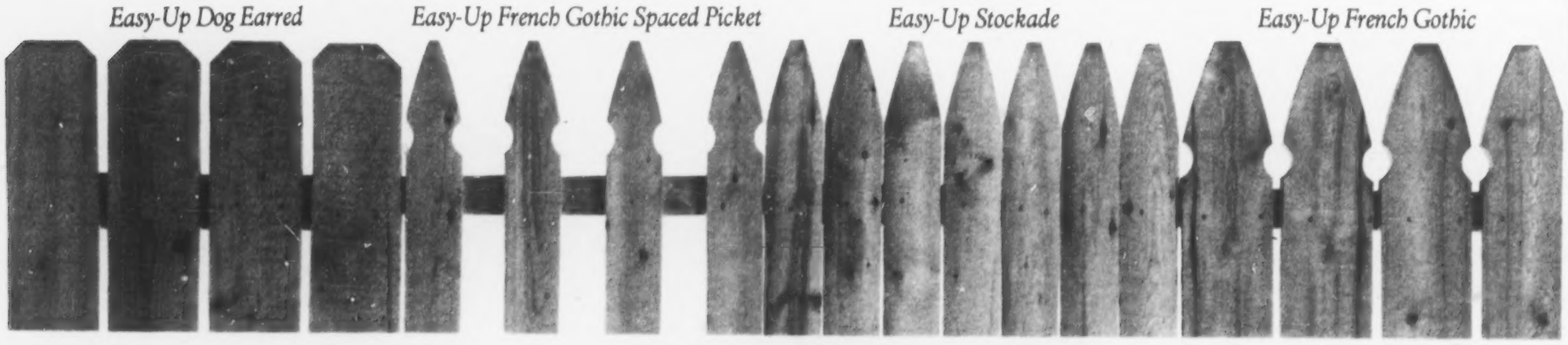

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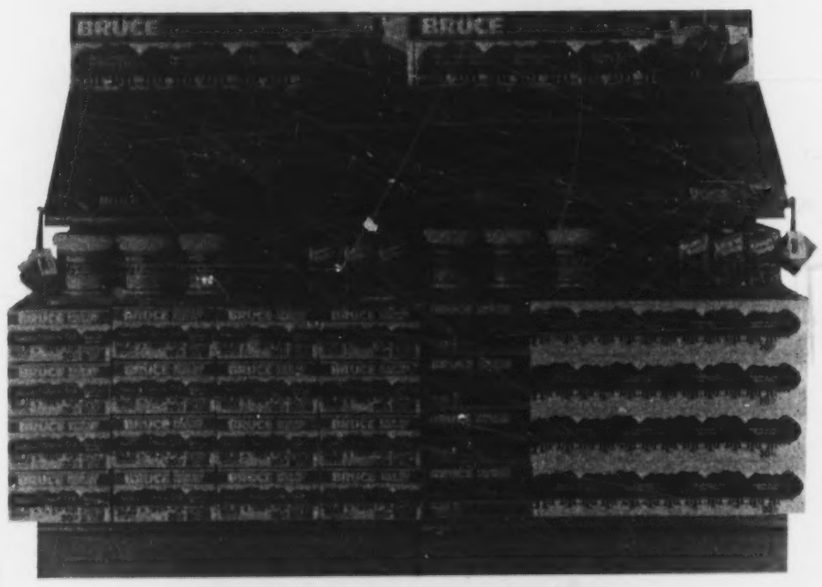

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LUMBER REPORT

Plywood lawsuit comes to an end but technicalities slow payments

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT—Harry Gabriel was one of the first to get involved, but one of the last to get paid.

Now that he is richer by more than $10,000, his share of the proceeds from a 19-year-long class action suit filed against plywood suppliers, Gabriel can now afford a good, lengthy vacation. Gabriel, whose Ponchatula, La., lumberyard initiated the class action almost a generation ago, said he's relieved the litigation is over.

It stands to bring dealers about $180 million in an out-of-court settlement. The suit pitted some 23,000 lumber dealers and home centers against three major plywood manufacturers which were accused of price fixing by putting Northwest freight and weight charges on plywood that was produced in the South. Experts believe the phantom charges artificially inflated the price of Southern plywood for 15 years or more.

Wayne Thomas, a Philadelphia lawyer who represented the claimants in the case, said checks ranging from a few hundred dollars to a high of $6.5 million were mailed out in early February.

Some dealers partially paid

But many companies are not getting the full portions because they failed to provide the accounting firm Arthur Young Co., Philadelphia, with proper documentation.

Some checks—referred to as Exhibit B checks—were mailed out May 15 to dealers who failed to provide the accounting firm with federal ID numbers and only received 80 percent of the amount of their settlement award. The remaining 20 percent may not be available until the end of the year, since the money could be held for tax purposes.

The National Lumber & Building Material Dealers Association (NLBMDA) is advising dealers to cash their 80 percent checks and send in their federal ID numbers for the remaining 20 percent.

About $10 million remains in the settlement account, of which $5 million represents outstanding checks drawn against the remaining sum but not cashed.

Authorities are still seeking to compensate several dozen dealers who have not been paid because they could not be located. Even though many lumberyards relocated or went out of business in the two decades over which the suit was litigated, heirs or former business operators are nonetheless eligible for proceeds from the settlement fund.

For companies that fit in this category, proof of plywood purchases between February 1968 and December 1972 should be forwarded to the Arthur Young Co. in Philadelphia.

Tax returns, plywood purchasing records and other pertinent documents should be mailed to Arthur Young Co., Plywood Anti-trust Litigation Claim Administration, Box 30059, Philadelphia, Pa., 19103. A spokesperson for the firm said phone calls about individual cases will not be entertained.

Assoc. thanked by dealers

Meanwhile, the Louisiana Building Materials Dealers Association (LBMDA) was pleased to report that several dealers from around the nation have forwarded a portion of their settlement awards to the group.

Many small lumber dealers in Louisiana, including Harry Gabriel, were infuriated that large, national chains received awards in the millions of dollars (based on how much plywood they purchased over the time in question), even though these operators are seen as having done little to advance their own argument in court. The NLBMDA agreed with the Louisiana chapter and spearheaded its own efforts to remind dealers to send money to the LBMDA, which invested the most time and money to fight for their dealers' cause.

Elsie Hamway, executive secretary of the LBMDA, said checks ranging from a few cents to as much as a $1,000 have been sent to the group by dealers from around the nation.

"It's coming in in dribbles," Hamway said, "but in the initial settlement, it really came in heavy. We're very happy."

Hamway was unable to estimate total donations.

New Colorado lien law leaves local bldg. material dealers livid

By an NHCN staff editor

DENVER — Lumber and building material dealers here are livid over a new law in Colorado that stops them from securing compensation from homeowners when contractors or remodelers fail to pay for materials used at a job site.

Before Colorado's new lien law was enacted, lumber and building material dealers could file liens to secure payment from property owners whenever builders were unable to pay for materials used at a construction site.

Stops double payment

The new law exempts homeowners from having to pay twice if they can prove they paid their contractor in full.

Fran Lowe, credit manager for Alpine Lumber, a five-unit contractor-oriented company and an arch opponent of the new legislation, said retailers will be forced to clamp down on the kind of credit they extend and will have to institute stronger policies to insure that they will be paid.

The newest 'self-help' book

She added the most disturbing aspect about the new law is tnat it comes at a time when the frequency of non-payment by contractors and remodelers has been worsening rather than improving.

Lowe was so incensed by the May law that she has written a book listing some 20 methods retailers can use to tighten credit and not be adversely affected by the new legislation.

Unlike Texas lumber dealers—who recently won a fight to revise their state's lien laws with the passage of new legislation that seeks criminal prosecution if a contractor spends bank loans on projects other than the one for which the loan is granted—Colorado dealers are up against a law which seeks to protect homeowners, the most formidable consumer voters.

"There is no chance that we can repeal it," Lowe lamented. "The big problem with this, of course, is that as suppliers we never know when a closing has taken place on a house and when that happens, we lose our lien rights.

Does not expect voter repeal

"What this law says is that if a homeowner can now prove that he paid the contractor, he doesn't have to pay the suppliers, and so, it puts us at a disadvantage. All the law will do is force people to look very, very closely at credit."

While Lowe conceded it would be wrong for homeowners to pay twice for materials used in their homes, she insisted that in the past, when contractors skipped on paying their bills, the homeowner was able to apply pressure on the builder or the remodeler to pay the lumber dealer.

Continued opposition urged

The lien law, which has been submitted in the Colorado legislature for the past three years, enjoys widespread support from the state's voters and legislators, and may not be seriously changed for some time to come, even though a coalition of lumber dealers and other suppliers is being formed to revise the legislation in Colorado's next legislative session.

The Mountain States Lumber and Building Material Dealers Association, which is based in Englewood, Colo., and represents dealers in the Rocky Mountain states, is urging its members to continue to file liens as early as possible and to re-examine their credit practices with contractors.

FINANCIAL NEWS

Greater equity strengthens home center foundations

By Phillip M. Perry
NHCN staff editor

Are home center companies better off today than they were a year ago?

The answer is clearly yes, and only part of the reason is the well-publicized consumer shopping activity that is causing home center earnings to rebound.

Behind the Numbers

A review of annual reports released over the past few months from a dozen home improvement retailers reveals that, in 1986, a concerted effort was made to pare debt and strengthen company foundations with more owners' funds.

Now, home centers are experiencing the fruits of these efforts. With less debt, they are making smaller interest payments. So a greater portion of the higher sales they are experiencing translates into earnings.

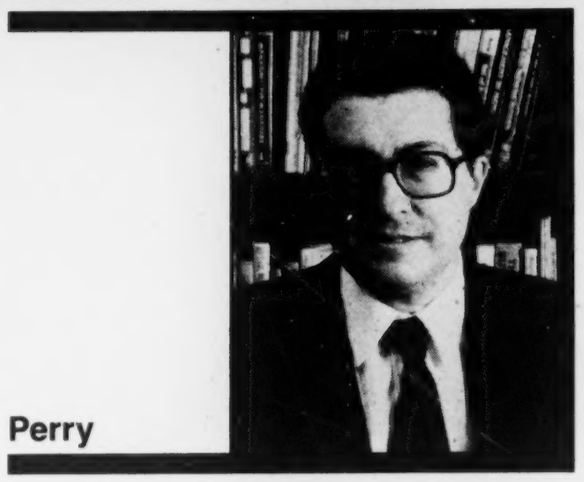
Furthermore, smaller interest payments mean companies are better positioned to weather sudden downturns in the economy. Firms will be better able to meet their interest payments should sales and operating earnings drop.

Until home centers return to an expansionist mode, it appears the days of heavy debt are over.

"In 1985, these companies had big problems with a promotional market," says Pam Stubing, vice president at Moody's, the New York debt rating agency.

"Builders Square began buying a share of the [retail home improvement] market, and others had to react."

Concurrently with this, some companies were increasing their debt to buy stores from competitors leaving the field.



Perry

Debt ratios improve

By last year, however, it became apparent to most of these companies not only that they had raised enough cash, but also that it was time to pay more attention to pulling up earnings from the assets they already possessed.

One measurement that casts into high relief the effort to pare debt is that of "debt to total capitalization." This ratio is calculated first by adding total long-term debt to stockholder's equity, then dividing long-term debt by the resulting number.

The recent reports show a dramatic drop in that ratio at nearly every home center chain.

At Lowe's, for example, long-term debt accounted for 31.1 percent of total capitalization in 1985 but only 22.1 percent in 1986.

Comparable figures for other chains include a drop from 38.9 percent to 35.2 pecent at Hechinger; 39.2 percent to 37.8 percent at Pay 'N Pak; and 36.4 percent to 34.6 percent at Wolohan.

An especially steep drop occurred at companies undergoing fundamental changes in their structures as a result of either changing expansion strategies or recapitalizations.

Home Center Interest Coverage
(Operating Earnings divided by Interest Expense)

Lowe's	7.4
Payless Cashways	6.3
Scotty's	5.9
Wolohan Lumber	5.0
Hechinger	4.8
The Home Depot	4.8
Pay 'N Pak	2.3
Median	5.0

Operating earnings exclude interest income or revenues other than sales.
Source: Company reports. *NHCN* chart.

The Home Depot offers a dramatic example. Long-term debt accounted for 69.3 percent of total capitalization in 1985 but fell to 42 percent the following year.

The Atlanta-based company experienced a rebound in net earnings that resulted from a pulling back of expansion-related expenses. At the same time, a public stock offering bolstered equity even further.

Two companies that went public were able to report dramatic plunges in debt as a result therof.

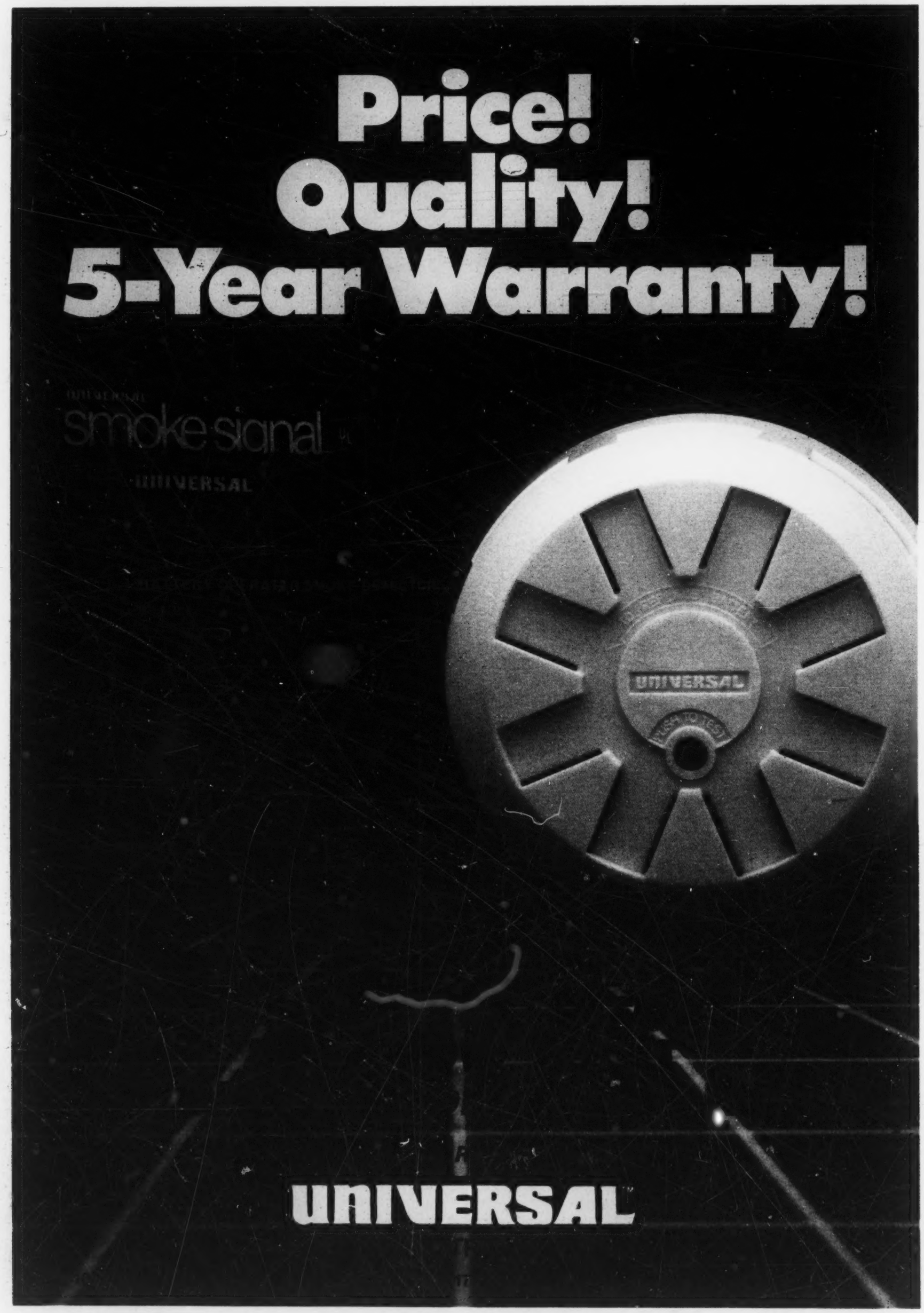
General Building Products' numbers dropped from 40 percent in 1985 to 16.9 percent in 1986. At Strober Organization, the comparable figures went from 20.6 percent to 7.3 percent.

One insight into the ability of a company to keep covering its interest payments in the case of economic downturn can be gleaned from its interest coverage ratio.

Interest coverage can be calculated by dividing operating earnings by interest expense. Operating earnings exclude interest income and other non-sales revenues.

Most of the companies reporting a decrease in reliance on debt last year experienced more favorable interest coverage as well.

At Hechinger, coverage increased from 3.7 times in 1985 to 4.8 times in 1986. The Home Depot went from 1.9 to 4.8, and Payless Cashways went from 4.8 to 6.3.



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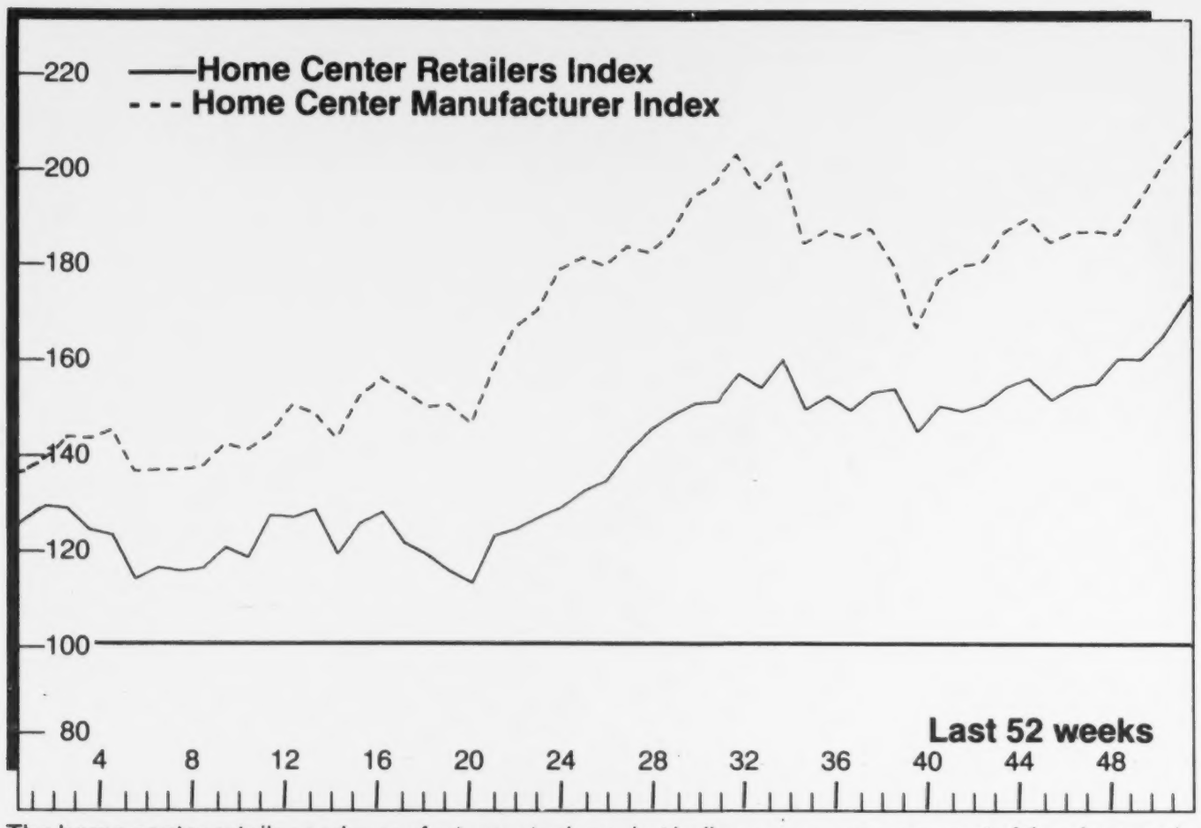
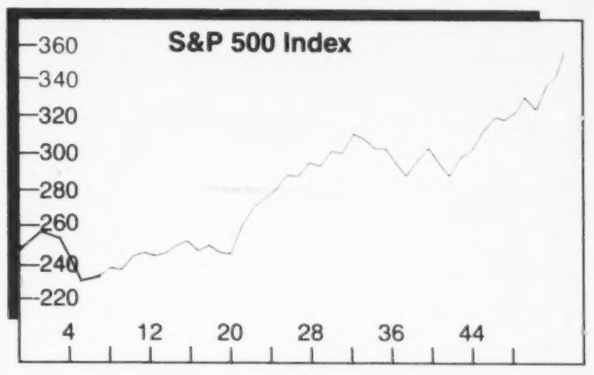


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on February 5, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
8-21-87	(100)	%	%
Hechinger A M	45,622	620.9	3.1
La Pacific N	38,389	290.3	17.4
K mart Cp N	123,922	266.1	3.3
Strober Organiz M	2,279	253.8	- 12.8
Wolohan Lumber M	3,885	228.2	11.9
Walter, Jim N	67,734	223.3	.8
Thos Inds N	1,235	217.9	6.7
Grossman's Inc M	30,234	213.7	8.3
Waxman Ind M	2,166	212.3	6.6
Sherwin-Wms N	13,865	208.9	.4

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 8-21	2-Week Price Change	Total 2-Week Volume
8-21-87	$	%	(100)
La Pacific N	38.00	17.4	38,389
Wolohan Lumber M	18.75	11.9	3,885
Grossman's Inc M	9.75	8.3	30,234
Masco Corp N	38.75	7.6	40,221
Thos Inds N	22.00	6.7	1,235
Waxman Ind M	12.13	6.6	2,166
Insilco Corp N	24.63	5.9	6,892
Moore Handley M	9.00	5.9	292
Sears, Roebuck N	58.00	5.2	117,861
Hechinger B M	25.75	5.1	1,211
Losers	$	%	(100)
Wickes n N	18.38	- 13.5	13,261
Strober Organiz M	10.25	- 12.8	2,279
Natl Lumber M	5.00	- 9.1	349
Payless Cash N	22.50	- 7.7	17,642
Mor-Flo Inds M	11.25	- 6.3	325
Manville Cp N	3.75	- 6.3	8,057
Lewis Palmer M	8.25	- 4.3	1,673
Nortek Inc N	13.50	- 3.6	4,632
Clairson Intl M	10.00	- 3.6	2,471
Std Brd Pnt N	30.50	- 3.6	10,682

National Home Center News

HOME CENTER MARKET SUMMARY

Stock Market

Company and Market	2-Weeks Ended 8-21-87	Price 2-Weeks Change Amt.	Price 2-Weeks Change Pct.	Price 2-Week Range High	Price 2-Week Range Low	Price 52-Week Range High	Price 52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%
Retailers														
Grossman's Inc M	9.75	.75	8.3	10.00	9.13	11.25	6.75	30,234	15.12	4.82	213.7	NE	.00	.0
Hechinger A M	25.25	.75	3.1	26.50	24.75	26.50	16.00	45,622	41.74	5.79	620.9	NA	.16	.6
Hechinger B M	25.75	1.25	5.1	26.75	25.00	26.75	16.25	1,211	.74	.32	131.3	25.8	.06	.2
Home Depot N	41.50	1.63	4.1	42.13	39.25	42.13	16.50	15,979	5.42	2.29	136.7	30.7	.02	.0
INTERCO Inc N	52.50	.13	.2	54.00	50.50	54.00	36.63	11,302	3.96	2.15	84.2	16.0	1.60	3.0
K mart Cp N	46.63	1.50	3.3	48.38	44.50	48.38	28.84	123,922	6.15	1.68	266.1	14.5	1.16	2.5
Lowe's Cos N	28.13	- .63	- 2.2	29.38	27.75	32.75	22.50	10,247	2.59	1.36	90.4	19.7	.44	1.6
Natl Hardgoods M	8.88	.38	4.4	9.25	8.75	10.00	6.88	145	1.18	1.15	2.6	12.7	.00a	.0
Natl Lumber M	5.00	- .50	- 9.1	5.25	5.00	7.50	4.00	349	.62	.35	77.1	NE	.00	.0
Pay n Pak N	20.63	.50	2.5	20.75	20.13	21.50	9.50	1,082	1.08	6.36	- 83.0	26.4	.40	1.9
Payless Cash N	22.50	- 1.88	- 7.7	24.50	22.25	26.88	15.88	17,642	5.09	1.96	159.7	17.7	.16	.7
Scotty's Inc N	14.38	- .50	- 3.4	15.25	14.25	15.88	12.00	1,346	.93	.52	78.8	19.4	.52	3.6
Sears, Roebuck N	58.00	2.88	5.2	59.50	55.38	59.50	39.00	117,861	3.13	1.09	187.2	14.1	2.00	3.4
Std Brd Pnt N	30.50	- 1.13	- 3.6	31.88	29.75	31.88	20.50	10,682	9.51	6.34	50.0	22.9	.60	2.0
Strober Organiz M	10.25	- 1.50	- 12.8	11.75	9.25	15.25	10.25	2,279	3.75	1.06	253.8	10.9	.00	.0
Supermkts Gen N	39.50	.25	.6	39.63	39.00	46.75	22.50	1,974	.51	.56	- 8.9	25.8	.28	.7
Wickes n N	18.38	- 2.88	- 13.5	21.88	17.63	26.88	15.63	13,261	2.77	1.76	57.4	6.1	.00	.0
Wolohan Lumber M	18.75	2.00	11.9	18.75	16.50	18.75	7.50	3,885	6.63	2.02	228.2	15.2	.20	1.1
Zayre Corp N	30.88	.00	.0	31.75	29.50	32.88	20.75	48,623	8.24	5.12	60.9	18.9	.40	1.3
Wholesalers														
Hughes Supply N	28.63	1.25	4.6	29.00	27.00	29.00	20.63	552	1.67	.68	145.6	13.3	.40	1.4
Moore Handley M	9.00	.50	5.9	9.00	8.00	15.00	6.75	292	1.17	1.51	- 22.5	20.5	.00	.0
Lewis Palmer M	8.25	- .38	- 4.3	8.75	8.25	9.88	7.25	1,673	4.18	1.59	162.9	20.6	.28	3.4
Stanline Inc M	13.25	.00	.0	13.50	12.50	13.75	8.00	573	3.38	1.82	85.7	12.5	.32b	2.4
Manufacturers														
Am Consum Prods M	14.00	.25	1.8	14.00	13.50	14.25	8.50	284	1.37	2.76	- 50.4	20.9	.00	.0
Am Standard N	52.00	1.63	3.2	53.00	50.50	53.00	36.00	13,012	4.04	1.47	174.8	13.9	1.80	3.5
Am Woodmark M	14.75	.00	.0	15.25	14.38	17.13	10.00	433	.63	.62	1.6	14.6	.00	.0
Armstrng Wrld N	44.75	1.00	2.3	47.38	42.00	47.38	24.88	25,807	5.45	1.89	188.4	15.4	.90	2.0
Black & Decker N	26.38	.25	1.0	26.50	25.63	26.50	15.38	30,778	5.30	2.27	133.5	36.6	.40	1.5
Boise Cascade N	82.38	2.00	2.5	84.63	79.88	86.88	55.75	11,118	3.82	1.98	92.9	21.2	1.90	2.3
Certain-teed N	44.75	1.13	2.6	45.50	43.25	45.50	26.88	3,073	1.62	.69	134.8	14.2	1.00	2.2
Champ Intl N	40.63	.88	2.2	40.75	39.00	43.50	24.38	53,991	5.73	2.12	170.3	11.3	.80	2.0
Clairson Intl M	10.00	- .38	- 3.6	10.75	9.50	18.25	10.00	2,471	4.86	3.16	53.8	23.3	.00	.0
Cooper Indus N	70.00	1.13	1.6	71.88	66.25	71.88	37.75	11,330	2.28	1.46	56.2	21.7	1.68	2.4
DeSoto Inc N	41.50	1.13	2.8	41.88	40.38	43.75	34.25	400	1.01	.69	46.4	26.6	1.40	3.4
Emhart Corp N	50.50	- .50	- 1.0	51.13	47.50	51.25	30.75	6,766	2.17	.89	143.8	NM	1.60	3.2
Georgia Pacific N	46.25	.25	.5	46.63	44.50	52.75	33.00	69,002	6.24	2.38	162.2	12.5	1.00	2.2
Insilco Corp N	24.63	1.38	5.9	28.13	23.13	28.13	18.31	6,892	3.31	1.30	154.6	15.6	1.00b	4.1
La Pacific N	38.00	5.63	17.4	38.00	32.13	39.63	24.28	38,389	10.03	2.57	290.3	15.7	.80b	2.1
Macmillan Bloedel M	21.75	- .13	- .6	22.38	21.38	22.38	8.44	14,838	1.46	.80	82.5	NA	.68	NA
Manville Cp N	3.75	- .25	- 6.3	4.00	3.63	5.38	1.63	8,057	3.36	4.84	- 30.6	.9	.00	.0
Masco Corp N	38.75	2.75	7.6	39.00	35.88	40.88	23.50	40,221	3.04	.99	207.1	22.4	.40	1.0
Mor-Flo Inds M	11.25	- .75	- 6.3	11.75	11.25	14.50	11.25	325	1.30	.47	176.6	NM	.01	.1
Newell Co N	39.38	1.63	4.3	42.50	37.63	42.50	24.00	3,173	2.76	1.25	120.8	17.0	.84	2.1
Nortek Inc N	13.50	- .50	- 3.6	14.38	13.13	17.38	11.75	4,632	2.85	1.15	147.8	10.9	.10	.7
Owens Corn N	25.88	.13	.5	26.50	24.38	32.38	8.88	21,427	5.72	3.50	63.4	NA	.00	.0
Ply-Gem A	17.38	.38	2.2	17.75	16.50	18.13	10.00	2,508	2.25	.97	132.0	17.9	.12	.7
Pope & Talbot N	22.88	- .25	- 1.1	23.38	21.50	24.50	9.50	2,471	2.06	1.15	79.1	10.4	.44	1.9
Potlatch Cp N	37.75	1.00	2.7	38.25	35.00	41.88	25.75	5,949	2.23	1.21	84.3	13.8	.84	2.2
PPG Inds N	48.38	- .25	- .5	50.38	46.50	53.50	31.75	38,662	3.24	1.46	121.9	16.8	1.08	2.2
Sherwin-Wms N	35.13	.13	.4	36.13	34.00	38.50	22.75	13,865	3.12	1.01	208.9	14.6	.56	1.6
Stanley Works N	35.50	1.50	4.4	35.63	33.63	35.88	24.00	6,145	1.44	.53	171.7	17.8	.76	2.1
Thos Inds N	22.00	1.38	6.7	22.00	20.50	22.63	15.50	1,235	1.24	.39	217.9	15.7	.68b	3.1
Triangle Ind N	41.38	.63	1.5	43.00	39.75	43.00	23.13	5,208	2.16	1.66	30.1	16.4	.12	.3
Union Camp N	45.00	.00	.0	46.00	42.13	48.19	33.19	26,741	3.63	1.46	148.6	19.3	1.16	2.6
USG Corp N	40.38	.75	1.9	41.50	39.63	46.50	31.00	16,906	3.31	1.74	90.2	9.3	1.12	2.8
Walter, Jim N	60.63	.50	.8	61.00	58.13	62.38	32.41	67,734	17.07	5.28	223.3	17.3	1.20	2.0
Waxman Ind M	12.13	.75	6.6	12.63	11.88	13.25	6.34	2,166	3.31	1.06	212.3	16.8	.08	.7
Weyerhaeuser N	53.75	- 1.00	- 1.8	56.88	53.00	60.00	33.75	57,577	4.25	1.73	145.7	21.3	1.30	2.4

Financial Update

Company and Market	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers															
Grossman's Inc M	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A M	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	.....	3 mos.	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot N	NEW	6 mos.	07-87	381.4	44.7	15.6	116.7	.50	78.6	715.4	47.2	28.4	130.9	.93	93.8
INTERCO Inc N	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp N	NEW	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos N	.....	3 mos.	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Natl Hardgoods M	.....	3 mos.	04-87	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Natl Lumber M	.....	*	04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak N	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash N	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc N	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck N	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt N	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Strober Organiz M	NEW	6 mos.	06-87	26.3		1.6		.26		47.6		2.6		.43	
Supermkts Gen N	.....	3 mos.	04-87	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes n N	.....	3 mos.	04-87	1540.4	54.8	82.7	426.8	1.70	1600.0	1540.4	54.8	82.7	426.8	1.70	1600.0
Wolohan Lumber M	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp N	.....	3 mos.	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers															
Hughes Supply N	.....	3 mos.	04-87	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4
Moore Handley M	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer M	.....	3 mos.	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanline Inc M	.....	6 mos.	04-87	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers															
Am Consum Prods M	.....	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard N	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark M	.....	fiscal	04-87	29.3	20.1	1.5	25.0	.22	- 4.3	115.8	18.9	6.8	51.1	1.01	12.2
Armstrng Wrld N	.....	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker N	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade N	.....	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1848.2	.2	75.4	33.9	2.47	30.0
Certain-teed N	.....	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl N	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl M	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus N	.....	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	16.8	1.47	14.0
DeSoto Inc N	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp N	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.92	29.6	1231.6	18.7	56.8	42.0	1.82	30.9
Georgia Pacific N	.....	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp N	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific N	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel M	.....	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp N	.....	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp N	.....	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds M	NEW	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co N	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc N	.....	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn N	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	NEW	6 mos.	06-87	82.1	38.9	3.8	58.3	.32	6.7	152.7	39.2	7.1	61.4	.61	8.9
Pope & Talbot N	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp N	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds N	NEW	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms N	.....	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works N	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds N	.....	6 mos.	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind N	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp N	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp N	.....	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim N	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind M	.....	9 mos.	03-87	31.0	22.5	.9	28.6	.15	- 34.8	84.7	20.8	2.5	38.9	.40	- 31.0
Weyerhaeuser N	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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WASHINGTON DC 20014

National
Home Center News ®

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Payless consolidates operations; two top managers resign

John Caulfield
NHCN staff editor

KANSAS CITY, Mo. — Payless Cashways, the 188-unit chain based here, has integrated its merchandising and marketing departments into a single unit, to be run by Dale Pond, a six-year veteran of the chain who assumes the new position of senior vp-marketing/merchandising.

Concurrent with this restructuring, which has been in the works since the spring, is the company's attempt to get its store personnel to better utilize the data on merchandising and inventory control disseminated by its corporate information system.

To that end, Payless has promoted its controller, David O'Halloran, to the new post of vp-information systems and services.

(Continued on page 75)

Westlake signs intent letter for 21 Lindsley units in Fla.

By Gary S. Ruderman
NHCN staff editor

SAN ANTONIO, Texas — The Lone Star Hardware division of Westlake Hardware, Inc., has signed a letter of intent to purchase the 21 Lindsley Home Decorating Centers in the Miami area.

The tentative agreement, signed September 1, calls for Lone Star and the holding company owning Lindsley's assets—Asset Holding Co.—to sign a contract by September 15 and close by late fall, according to Tom Seifert, executive vp and general manager of Lindsley, based in Miami Lakes, Fla.

Asset Holding Co. was set up to sell all the assets of Evans Products, except that became part of Grossman's Inc. when Grossman's emerged as a new company following the reorganization of Evans from Chapter 11 last November.

No information was available on a possible sale price. Scott Westlake, president of Westlake, said only that the potential purchase was part of a long-term, growth-through-acquisition strategy for his company. William Nightingale, president of Nightingale

(Continued on page 75)

Scott Westlake, president of Westlake Hardware. NHCN photo

Public demand drives natural chemical sales

By Suzanne Floyd
NHCN staff editor

NATIONAL REPORT — Consumer demand prompted many retailers to stock biodegradable herbicides, pesticides and fertilizer products this summer. And those that did found them to emerge as a growing category.

"This year the demand is up 50 percent," said Elton Keller, lawn and garden business manager for Agway, Dewitt, N.Y. "With all the news in the media concerning pollution, there tends to be a trend toward using natural products again."

Natural, biodegradable or organic are loose terms used to describe lawn and garden products whose chemical breakdown is natural and do not leave a harmful residue in the environment. The terms "natural" and "organic" are used interchangeably by retailers and manufacturers.

That this category—whose products can be more than 20 percent more expensive at retail than other chemicals—appears ready to break out may be best exemplified by the serious consideration Ortho, the

(Continued on page 76)

BLACK&DECKER
POWER TOOLS
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7144 3/8 in. VSR Drill, 7548 VS Jig Saw, 7804 1 HP Router, 9751 Hsvr 'N Strip™ Heat Gun, 9752 Heat 'N Strip™ Heat Gun, 9418 Rotary Hobby Shop™
Offer good August 23, 1987 - January 2, 1988

B&D will drop rebates for its power tools and outdoor products in 1988.

Dealers search for alternatives to unworkable rebate plans

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT — Dealers hate rebates.

But until recently most home center retailers have accepted the cash or premium offers made by their suppliers as a part of doing business.

However, several chains and a number of wholesale buying groups are now taking a much tougher stand against rebates and are informing manufacturers they will no longer participate in their rebate programs.

This in turn is causing the vendors themselves to question the effectiveness of rebates and to seek alternatives.

Perhaps the most graphic illustration of this animosity was a June 8 letter sent out by Cotter & Co., the nation's largest hardware wholesale co-op, to all vendors stating that, as of January 1, 1988, Cotter would no longer accept rebates or advertise them in its direct mail circulars.

On July 28 K mart informed its small appliance vendors that it would no longer adver-

(Continued on page 75)

A recently signed dealer-member of Cotter & Co. opened a new True Value Hardware Plus unit only four blocks from an older Cotter member, Brown True Value Hardware. NHCN photo

Expansion touches off turf wars within co-ops

By an NHCN staff editor

CHICAGO — The opening last month of two new True Value units that employ Cotter & Co.'s "Stores of First Choice" remodeling and remerchandising format, just blocks from smaller, older True Value dealers on this city's north side, illustrates how fragile the concept of territorial exclusivity can be and brings into focus how difficult it is for the co-ops to ensure some level of competitive insulation for their members in a competitive market.

In urban centers around the country, co-ops are wrestling with an aging dealer base, industry executives said. To fight for consumers into the next decade and beyond, store modernization programs have become the co-ops' prime marketing tool.

And, explained one senior industry executive, as co-ops are faced with the choice of supporting dealers who won't modernize and new, entre-

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INSIDE

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NEWSBREAKS

COOK'S LUMBER IN UTAH LIQUIDATES: The family-owned company was set to close its last remaining facility in the town of Murray permanently after a final clearance sale on September 19. A total of 55 employees are affected by the liquidation. The 13-acre site, which was purchased in 1947, "is too valuable to be a lumberyard," family spokesman Todd Cook said. Cook's other outlet, a Salt Lake City home center, was shuttered in July 1986.

INDUSTRY UPDATE

Moore's to shut 4 units in fall

ROANOKE, Va. — Moore's, a subsidiary of Grossman's, Inc., said it would shutter three of its four units in Richmond, Va., as well as its solitary unit in Raleigh, N.C., this fall.

That the company is leaving one store open in Richmond, Va., indicates the firm is convinced that contractor business can carry the field for stores where inroads of new competition have impacted consumer trade.

"The remaining yard in Richmond has a large contractor business, and now it will have a larger one," said Stanley Berman, executive vp of Grossman's, Braintree, Mass. He declined to state what percentage of the store's sales came from contractors.

The moves come as part of a continuing effort by Grossman's to close units which do not seem to offer potential for greater profitability.

This summer, the company pulled out of the Columbia, S.C., market by closing all three of its Moore's units there.

Depot opens 6th L.A.-area store

CITY OF INDUSTRY, Calif. — This Los Angeles suburb became the home in late August of The Home Depot's sixth warehouse in the Greater L.A. area. And as part of the new store introduction, Home Depot continued its ad campaign that lambastes rival Home Club.

"Experience friendship, not membership, at Home Depot," declares a page in the September catalog. "Why shop at the 'Ugly Warehouse' where you have to use those ugly and costly cards to save money?"

"Ugly warehouse" is a reference to a recent HomeClub television spot in which the announcer proclaims HomeClub to have "ugly warehouses" but "beautiful prices."

Hechinger 2Q sales top $200M

By an NHCN staff editor

LANDOVER, Md. — Hechinger Co. reported a 45 percent increase in earnings and a 26 percent sales increase for the second quarter of the year.

For the quarter, ended August 1, Hechinger reported sales of $203.8 million, up from $162.1 million a year ago.

In a statement, John W. Hechinger and Richard England, the company's co-chairmen, said this is the first time in any quarter that sales were more than $200 million and earnings were more than $10 million.

Net earnings were $12.2 million for the quarter, compared to $8.4 million for the quarter in 1986.

For the first half of the year, Hechinger reported net sales of $368.6 million, compared to $299 million for the first half of last year.

Net earnings for the first half of 1987 were $19.8 million, up from $13.3 million for the same period last year.

During the quarter, Hechinger opened three stores, in Roanoke, Va.; Baltimore; and Allentown, Pa.

Std. Brands names new auditor

TORRANCE, Calif. — Standard Brands Paint Co. said it has named Touche Ross and Co. its auditor for the current fiscal year, replacing Peat Marwick Main & Co.

The change was made in part because of the June 1987 hiring of Dan Bane as chief financial officer. Bane, 39, managed Standard Brands' audit when he was with Peat Marwick, where his wife still works.

Bane, a certified public accountant, was formerly chief financial officer of FM Entertainment.

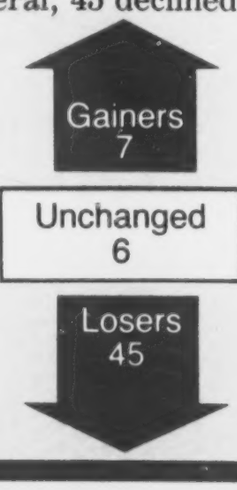
Majority of stocks decline

NATIONAL REPORT — An across-the-market decline in stock prices had a considerable effect on home center stocks for the two-week period that ended Sept. 4.

Of 58 stocks tracked by Media General, 45 declined in price, seven increased in price, while six remained unchanged.

USG Corp. was the only company on the list to experience a double digit increase in its stock price. Over the two-week period, its stock increased by 13.6 percent to $45.88.

Palmer G. Lewis increased 7.6 percent to $8.88, while Wickes went up 3.4 percent to $19.00. Wolohan Lumber declined 14 percent to $16.13.



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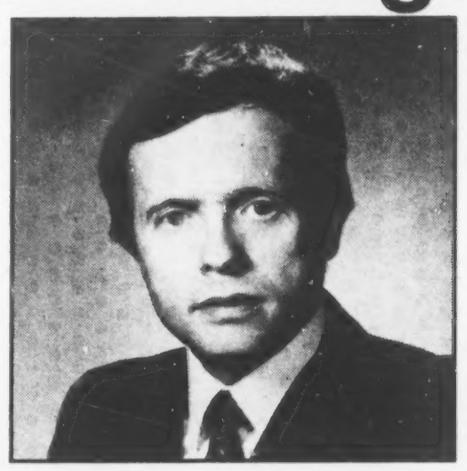
Rapid growth prompts American to create new management level

By an NHCN staff editor

BUTLER, Pa. — American Hardware Supply has created a new level of upper management by appointing eight operating officers.

The move, effective August 10, was in response to the rapid growth experienced by American Hardware in the last year.

The company grew by $193 million in 1986 and is projected to grow a further $180 million this year, according to Larry Zehfuss, president and ceo. In the year ended June 30 American generated sales of $900 million. "When you're handling this kind of growth a lot of the basic day-to-day operations are not given management attention," said Zehfuss.



John Kaufman, operating officer at American Hardare.

This will be remedied by the new level of operating officers handling staffing, budgeting and the overall day-to-day operations.

"These people are our building blocks for the future," said Zehfuss. "The team approach is the way to go; we don't need individual stars."

All the new operating officers were promoted from within. They are: Larry Davis, management information systems; Bernie Day, general manager of lumber/building materials; Jim Haley, hard goods merchanidise; Don Hoye treasurer; Jerry Juszak, advertising/private label/imports and new ventures.

Also, John Kaufman, operations, who will continue to serve as Butler DC manager and as part of the corporate officer group; and Susanne Quattro, corporate controller, and Allen Tansil, national sales manager.

Coast president Ralph Dillon resigns

By an NHCN staff editor

DENVER — Ralph D. Dillon, president, chief operating officer and a director of CoastAmerica Corp., has resigned.

Richard H. Bard, 39, chairman and ceo, said that he has assumed the additional titles of president and coo of the firm, which through its operating subsidiary, Coast to Coast Stores Inc., franchises nearly 1,000 hardware stores.

Dillon, 46, told *NHCN* the decision to leave on August 31 was mutually agreed upon after Bard and he "discussed several alternatives."

"We ended up with two guys fully qualified as president and didn't need two. I felt it was a good opportunity for me to do something else," said Dillon, who remains a "significant stockholder" in CoastAmerica.

Ralph D. Dillon, president and ceo of Coast to Coast.

Bard, who has been the chief executive at Coast to Coast since January 1986 said, "In reality, we had two full-time people running this company, and that made it tough. I appreciate Ralph staying on as long as he did."

Dillon joined the company in April 1985. Formerly, he was president and ceo of Dallas-based Bowater Home Centers, a 14-month-old warehouse chain acquired by Home Depot in October 1984 Previously he was with Wickes Lumber for 10 years serving as area vp-personnel.

Concerning his future plans, Dillon said, "I am looking at a company to purchase and I also have several things I am investigating, all in the retailing field. Quite frankly, I am busy."

Scotty's fiscal '87 sales top $515 mil.

By an NHCN staff editor

WINTER HAVEN, Fla. — Scotty's reported a 4.3 percent increase in sales to $515.3 million for fiscal year 1987, which ended June 27.

Net earnings dropped 23.9 percent to $10.3 million. Earnings per share came in at 71 cents, down from 93 cents in 1986.

Gross margin, a measure of market pressure on shelf prices, declined from 31.6 percent of sales in 1986 to 31.0 percent last year.

Scotty's noted that its expansion program and a rise in insurance costs exerted pressure on its operating margins.

Operating expenses increased from 26.6 percent of sales in 1986 to 27.2 percent of sales in 1987. These included higher insurance costs and greater depreciation resulting from the expansion program.

Operating income, which measures performance before interest expenses and taxes, came to 3.9 percent of revenues for the year. The previous year, the figure was 5.1 percent. Net margin was 2.0, down from 2.7 for 1986.

Scotty's Fiscal 1987
(year ended 6-27-87)

Sales	$515.3
Gross profit	159.8
Payroll and benefits	83.7
Operating expenses	140.0
Interest expense	6.2
Net income	10.3
Inventories	114.1
Long-term debt	52.9
Stockholders equity	172.9
Total assets	305.5

Numbers do not add due to rounding and exclusion of some items.
Source: Scotty's *NHCN* chart

Harold W. Taylor, the company's chief financial officer, noted in a prepared statement that the tax rate was "the highest we've had in recent years, at 48.5 percent of pretax income. Of course, we'll get relief in our new fiscal year as the tax rate declines to approximately 37 percent."

Taylor added that if the new tax rate had been in effect it would have added 15 cents per share to fiscal 1987 earnings.

Taylor noted that the past year's results "tend to mask our true progress. The fundamentals were accomplished. Inventory controls kept costs in check. Our expansion program continued without the need for additional financing and the company closed the fiscal year in strong financial condition."

Long-term debt came to $52.9 million at the end of the year, or 23.4 percent of total capitalization. In 1986, the company's long-term debt of $56.5 million represented 25.1 percent of total capitalization.

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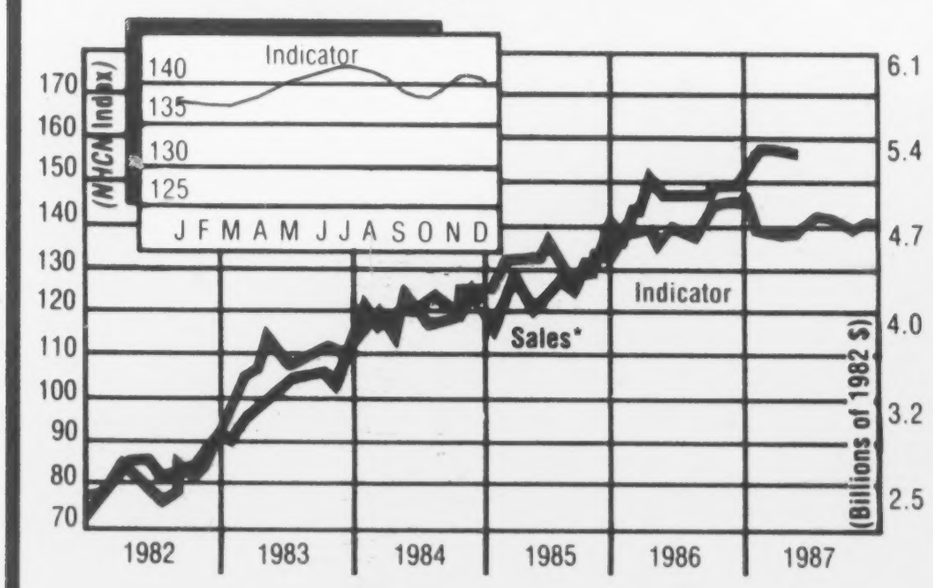


*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales increased slightly in the second quarter, but the rise in mortgage rates suggests weakness in starts and resales ahead.

Recent shift to adjustable rate mortgages will benefit sales

By Richard E. Mount
Special to NHCN

Building material sales will get an assist this year from the increased use of adjustable rate mortgages by home buyers.

In a rising mortgage rate environment, the shift to adjustable rates, which have lower monthly payments than fixed, will keep single-unit starts and resales high. We expect building material sales to increase 9 percent this year, 7 percent after inflation.

Housing finance took a step back to adjustable rate mortgages (ARMs) from fixed rate mortgages (FRMs) in recent months. Nineteen percent of new home mortgages were adjustable in April 1987, rising to 45 percent by July.

Richard E. Mount

In spite of the run up, ARMs remain well below the 70 percent peak reached in August 1984. For housing, the larger use of ARMs which carry lower rates than FRMs, means that home buyers will be able to offset, to a large degree, the rise in mortgage rates that began in April.

ARMs first became popular in housing finance in 1984. The financial conditions of savings and loan institutions began to improve after the recession of 1982. ARMs provided the thrifts with a safe means to increase their mortgage holdings without raising the number of fixed-rate loans in their portfolios.

During the 1970s, thrifts

(Continued on page 16)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1986				1987						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		**124.7**	**127.9**	**132.1**	**137.1**	**138.6**	**140.2**	**141.9**	**140.4**	**118.5**	**130.4**	**140.3**
General Economic Outlook												
	GNP $1982 Billion	**3,698.8**	**3,704.7**	**3,718.0**	**3,731.5**	**3,772.2**	**3,793.7**	**3,814.9**	**3,838.2**	**3,607.5**	**3,713.3**	**3,804.8**
	Real Disposable Income $1982 Bil.	2,610.5	2,660.2	2,653.2	2,656.7	2,674.6	2,647.8	2,668.4	2,685.1	2,542.2	2,645.2	2,669.0
	Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,695	1,535	1,550	1,575	1,733	1,762	1,589
	Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,795	1,615	1,600	1,600	1,742	1,806	1,653
	New Home Sales (000 SAAR)	791	794	685	712	724	675	650	675	688	749	681
	Resales (000 SAAR)	3,256	3,470	3,615	3,927	3,617	3,610	3,500	3,500	3,214	3,565	3,557
	Prime Rate %	9.4	8.6	7.9	7.5	7.5	8.1	8.4	8.5	9.9	8.4	8.1
	Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	10.3	10.4	10.4	12.5	10.2	10.1
	Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	335.0	339.0	342.3	346.0	322.1	328.3	340.6
	Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.2	292.1	296.1	298.5	301.8	293.8	289.8	297.1
	New Housing Affordability 1980-100)	128.6	129.4	126.1	128.9	129.2	127.3	119.3	118.8	117.6	128.3	123.7
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**91,800**	**83,300**	**104,400**	**86,700**	**94,581**	**96,972**	**98,978**	**101,386**	**80,267**	**91,416**	**97,979**
	Maintenance and Repair	37,700	29,800	40,600	36,300	37,570	38,288	39,094	39,834	35,358	35,990	38,697
	Additions and Alterations	33,900	39,600	44,700	35,400	39,318	40,538	41,334	42,647	28,775	38,662	40,959
	Major Replacements	20,200	13,900	15,000	19,100	17,693	18,146	18,550	18,904	16,134	16,766	18,323
Constant	**Total Millions $1982 SAAR**	**83,655**	**74,114**	**96,100**	**83,969**	**86,600**	**87,910**	**88,840**	**90,100**	**74,614**	**84,459**	**88,363**
	Maintenance and Repair	34,355	26,514	38,900	33,569	34,400	34,710	35,090	35,400	32,864	33,334	34,900
	Additions and Alterations	30,892	35,233	42,828	32,737	36,000	36,750	37,100	37,900	26,791	35,423	36,938
	Major Replacements	18,408	12,367	14,372	17,663	16,200	16,450	16,650	16,800	15,180	15,702	16,525
Retail Trade Activity												
Current	**Total $ millions SAAR**	**1,414,624**	**1,431,108**	**1,486,596**	**1,486,648**	**1,469,808**	**1,505,100**	**1,535,502**	**1,553,368**	**1,379,621**	**1,445,875**	**1,516,444**
	Total Minus Automobile	1,104,376	1,109,508	1,122,908	1,133,900	1,155,900	1,165,824	1,190,384	1,204,521	1,067,762	1,117,943	1,179,157
	Building Material, Hardware, Garden Supply, Mobile Home	86,136	87,528	88,884	89,488	91,132	89,548	96,130	96,594	75,556	88,009	93,351
	Building Material and Supply	63,708	64,396	62,956	64,584	69,660	68,780	72,672	74,560	55,695	65,529	71,418
	Hardware	10,500	10,884	11,832	11,748	12,092	12,160	12,564	12,723	10,397	10,700	12,385
Constant	**Total Millions $1982 SAAR**	**1,318,831**	**1,348,823**	**1,389,643**	**1,381,478**	**1,346,715**	**1,361,254**	**1,375,000**	**1,379,000**	**1,290,208**	**1,359,694**	**1,365,492**
	Total Minus Automobile	1,037,082	1,058,355	1,064,708	1,069,709	1,069,597	1,065,327	1,077,000	1,079,000	1,004,894	1,057,464	1,072,731
	Building Material, Hardware, Garden Supply, Mobile Home	80,759	84,456	84,518	83,480	84,277	82,559	87,750	87,300	71,518	83,303	85,472
	Building Material and Supply	59,719	62,132	59,866	60,242	64,420	63,411	65,750	66,200	52,663	60,490	64,945
	Hardware	9,845	10,504	11,251	10,960	11,182	11,212	11,470	11,500	9,852	10,640	11,341
	Building Materials % of Total Less Automobile ($Current)	5.77	5.80	5.61	5.70	6.03	5.90	6.10	6.19	5.22	5.86	6.06

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
September 3, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Use of adjustable rate mortgage to aid sales

(Continued from page 17)
faced severe strains when inflation and interest rates rose when they held large blocks of low-yielding, conventional mortgages.

"Teaser" rates on ARMs, which had low rates in the first few years of the loan, were offered to entice home buyers to take on the thrifts' traditional risk of rising interest rates. In the second half of 1984, two out of three new home mortgages were adjustable.

In 1985, ARMs' share of total mortgages trended lower. The spread between ARMs and FRMs narrowed, induced in part by the reduction in "teaser" rates.

Lending institutions faced rising delinquency rates and responded by tightening underwriting standards. There was a growing concern that, when "teaser" loans reverted to market rates, delinquencies would increase more.

By early 1986, the gradual decline in ARMs as a percent of total became a rout. The drop in mortgage rates, sparked by the fall in energy prices, brought buyers back to conventional, fixed rate, mortgages. In early April 1987, ARMs were down to 19 percent of new home mortgages.

Widening the gap

The rise in interest rates during April and May, however, began to widen the gap between fixed and adjustable rate mortgages.

Potential home buyers recognized that the 174 basis point jump in mortgage rates from March 27 through May 22 could be largely offset by the 129 basis point difference between FRMs and ARMs.

Demand shifted back to the then almost forgotten ARMs and they rose to 34 percent of mortgages for new homes in June and 45 percent in July. During this time, the gap between FRMs and ARMs increased to 204 basis points, making adjustable rate mortgages all the more attractive to buyers.

ARMs should continue to rise as a percent of total mortgages through 1988. With mortgage rates expected to trend upwards, buyers will turn increasingly to ARMs because of their lower rates.

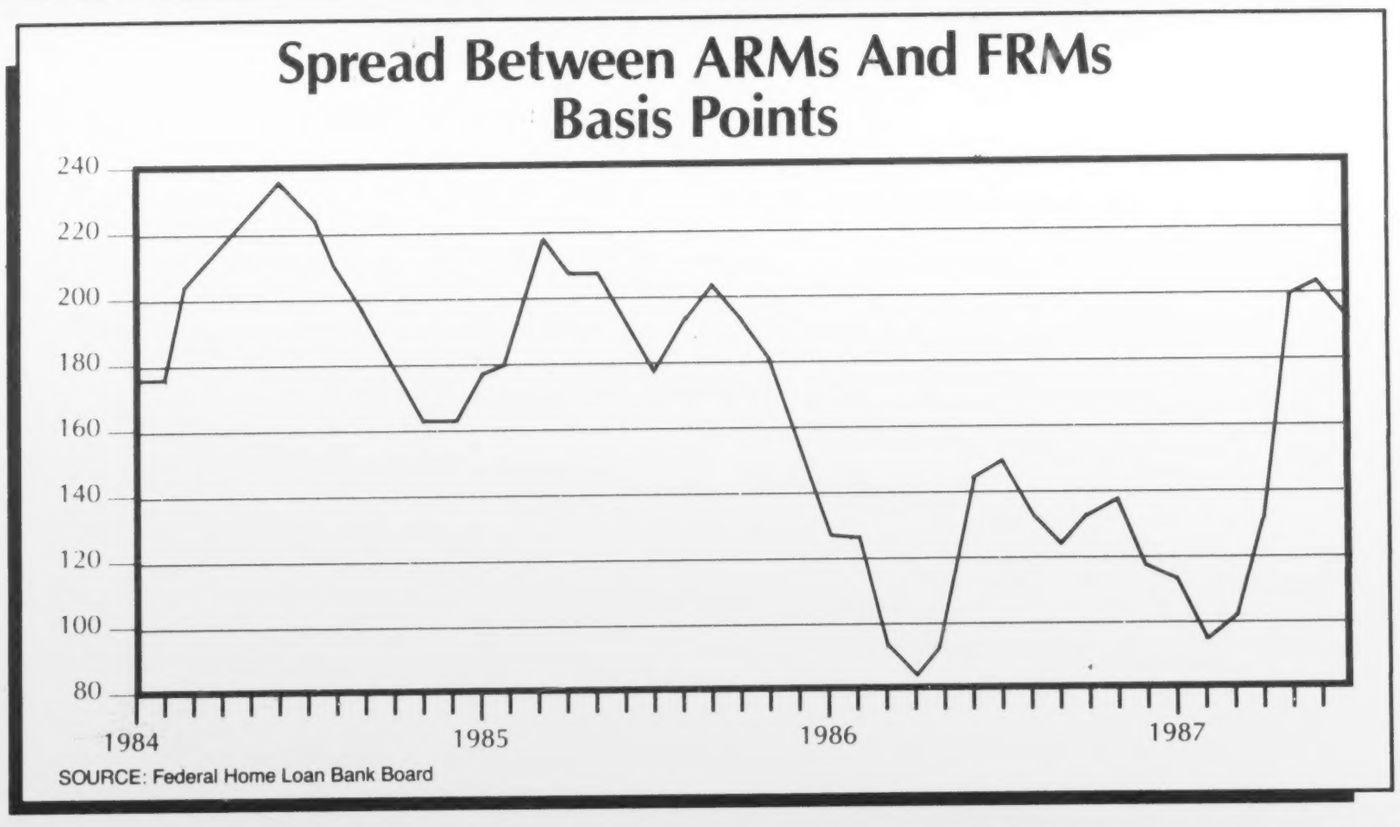
ARMs should not regain a 70 percent market share as in 1984, however, but only to 55 percent to 60 percent. First, thrifts will be reluctant to offer "teaser" rates again.

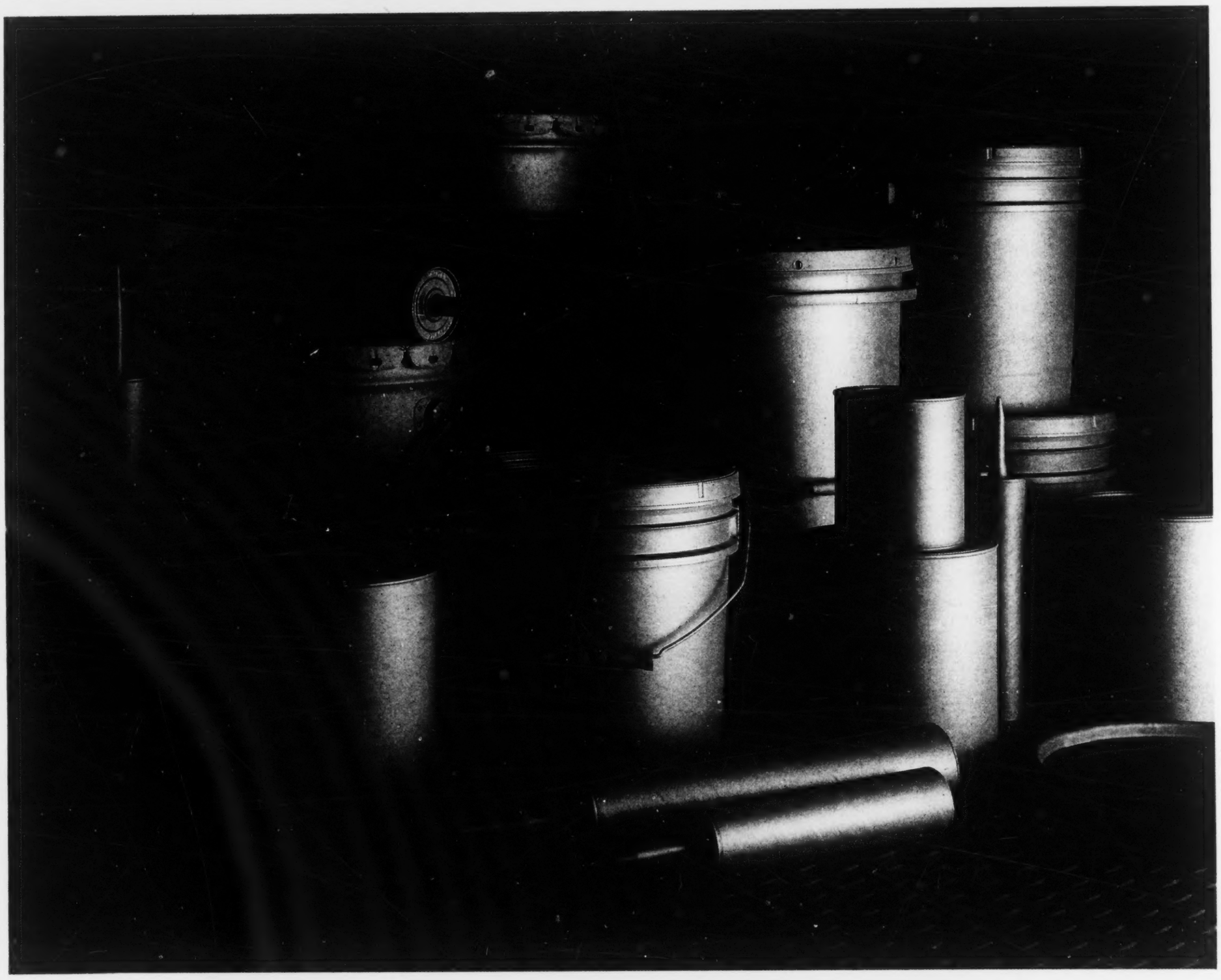
Second, demographics are turning against first-time home buyers and older buyers, less likely to move after a few years than their younger counterparts, would prefer the assurances of fixed rate mortgages.

For building material retailers, the increased use of adjustable rate mortgages, with lower rates than conventional, will keep single-unit starts and resales stronger than if only fixed rate mortgages existed.

In a rising mortgage rate environment, ARMs will be one of the supports for the 9 percent rise in building material sales that we anticipate.

With mortgage rates expected to trend upwards, buyers will turn increasingly to ARMs because of their lower rates.





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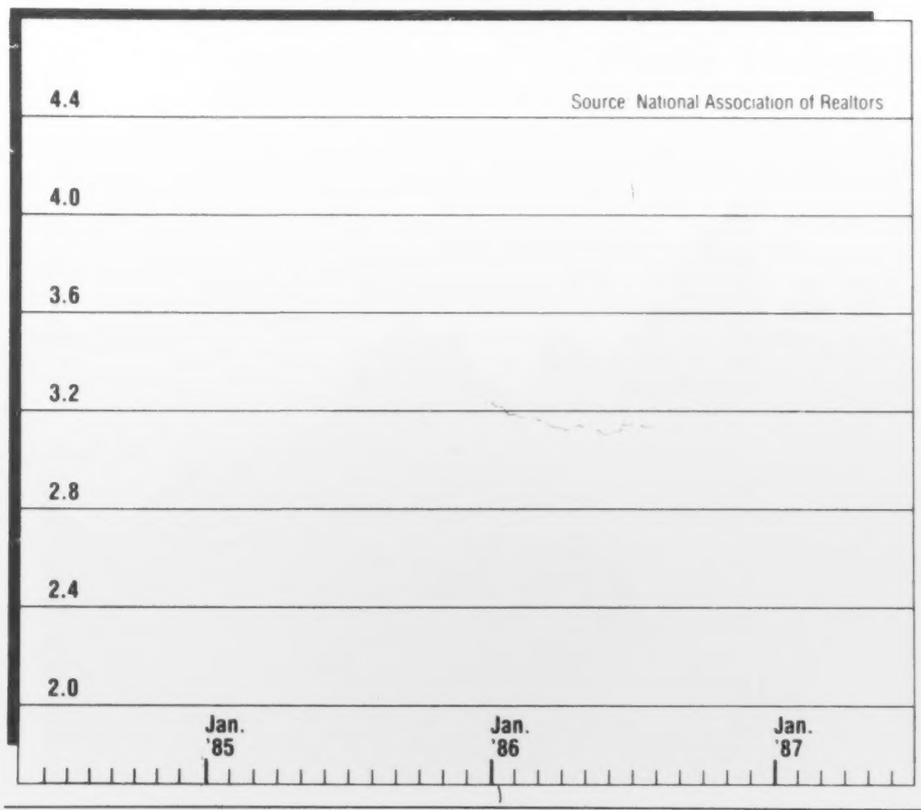
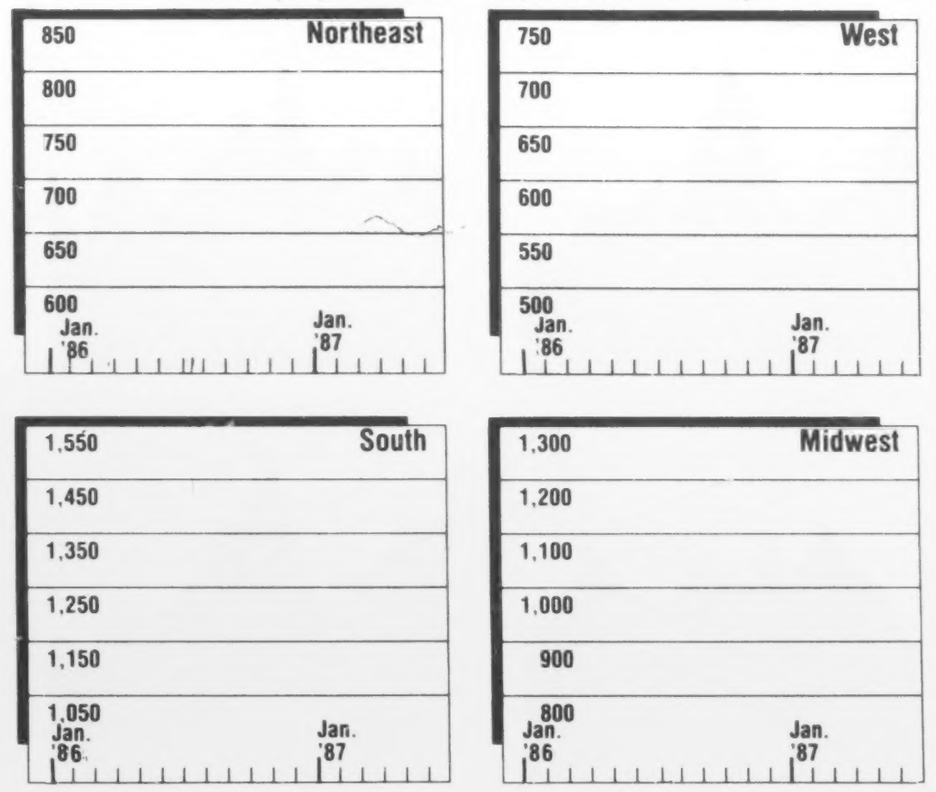
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



July resales flat as buyers eye loan rates

By an NHCN staff editor

NATIONAL REPORT — Home resales were flat in July, with potential buyers apparently waiting to see if mortgage rates will drop.

But John A. Tuccillo, chief economist for the National Association of Realtors (NAR), is predicting "a return to normal levels of sales" for the remainder of the year.

Tuccillo warned, however, that higher long-term interest rates could threaten housing affordability, for both resales and new homes.

The Commerce Department reported that new home sales were up .5 percent in July.

"We've had two months of (sales) rebound, but it's weak and it's threatened by what's been happening in the bond market," Tuccillo said.

Median Sale Price
(in thousands of dollars)

	July[r]	June[p]	May	April
U.S.	$ 85.8	$ 85.2	$ 85.2	$ 85.6
Northeast	131.8	136.4	32.4	129.4
South	79.8	80.5	81.4	81.8
Midwest	66.1	65.6	66.3	67.6
West	107.1	105.1	103.2	103.3

[p]-preliminary [r]-revised
Source: National Association of Realtors

The median national price for existing family homes was $85,800 in July, compared to $85,200 in June. But the July figure was 7.4 percent more than the year-ago median price of $79,900.

The NAR said a seasonally adjusted 3.53 million units changed hands in July, less than 1 percent more than June's 3.5 million.

Sales increased slightly in the West, from 640,000 units in June to 680,000 in July. The median price for the region was $107,100, up from $105,100 in June.

Prices dropped in the Northeast, though the region continued to lead the country in housing resale costs. The median price for the region in July was $131,800, down from $136,400. And the number of units sold dipped from 690,000 to 680,000.

Tuccillo said the slip may be indicative.

"While the small decline in sales is of no statistical significance, it suggests that the Northeast may in fact be cooling off from a frantic pace sustained over the past several years," he said. "The price drop adds to the impression that activity is slowing down."

The lowest prices were in the Midwest, though the region did show an increase. Price stood at $66,100, up slightly from $65,600 in June. In the South, prices slipped marginally, from $80,500 in June. to $79,800 in July.

Tuccillo said that the essentially flat sales and prices in the South and Midwest may indicate that "the economically troubled spots in those regions may have bottomed out and are stabilizing."

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LUMBER REPORT

Availability, lower prices help ignite redwood sales

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — In a summer marked by record demand for treated lumber, a little-noticed trend unfolded: Redwood came back.

Whether it's a result of aggressive marketing by industry associations or redwood producers piggybacking on builders' and consumers' voracious demand for treated lumber, many observers agree that the summer deck-building season boosted the redwood industry.

Retailers, manufacturers and wholesalers agreed that treated southern yellow pine continued to dominate the market in deck projects, but demand for redwood grew in areas where the product had long struggled for market share, particularly in the East and Midwest.

"I measure orders of treated lumber by the carloads and redwood by the truckload," said John Callahan, specialty lumber buyer for Riverhead Lumber, a five-unit chain based in Riverhead, N.Y., on Long Island. "So redwood is not even close to the demand levels of treated.

"But our sales in redwood is up 35 percent."

Promoted for deck building

Like many of his industry colleagues, Callahan said the chief purchaser of redwood seemed to be affluent consumers willing to pay a premium for a product that appears to be more aesthetically appealing than treated lumber.

"Treated lumber came in and filled the void of a cheap deck," said Stephen Sabbeth, president of Sabbeth Industries, a national wholesaler. "But redwood and red cedar are making inroads on treated and the prices are more competitive than what they were years ago."

Although the freight charges of redwood makes it an expensive product to stock in the East—perhaps as much as $15 to $20 a thousand board feet more than treated, depending on thickness and grades—the price seemed to be the least of some dealers' concerns.

Joe Daigneault, lumber buyer for the 16-unit Gerrity Building Centers, Meredith, N.H., said it stocked construction-grade redwood for the first time in the chain's history this summer and was "surprised" by shoppers' demand for the product. He said demand was so great that next year the company will try to buy redwood mill-direct rather than from a wholesaler.

"It was a helluva good start for us, a trial balloon, really," Daigneault said, "but we wanted to feel out the market and, based on how things went, I can see going mill-direct next year."

The comeback of redwood, which enjoyed much wider market penetration before the advent and cost advantages of treated lumber, brings redwood manufacturers much relief. Their industry had been pounded by militant environmentalists, a federal government that seized tens of thousands of redwood acreage for a national park, and freight costs that made shipments to the East an exorbitant proposition.

But with railroads struggling to remain profitable, the deregulation of trucking and the industry's increasing harvesting of second growth forestland, redwood is reclaiming some lost ground.

At the same time, many mills are using the kiln drying process in redwood to remove moisture and reduce weight, thereby, further reducing freight costs.

While treaters charge that redwood turns an unsightly black or grey over the years, redwood manufacturers counter that the species does not require any preservatives and is practically fire proof due to its chemical makeup.

Two-yr. production growth

Figures from the California Redwood Association (CRA)—an industry standards and marketing group comprised of four redwood manufacturers whose output purportedly accounts for 60 percent of all redwood production—shows production is running 30 million board feet ahead of the six-month period for last year. Through the first half of 1987, 310 million board feet of redwood had been produced, compared with 280 million for the same period a year ago.

The trend holds true when comparisons are made between the years 1986 and 1985. In 1985, the CRA members produced 534.1 million board feet of product. A year later, 573.7 million board feet of redwood was produced by CRA-member mills.

This production was supplanted by a more vigorous marketing thrust of the CRA, which came to recognize the insatiable decking market. Although a CRA spokesperson acknowledges that the industry cannot and does not expect to take over the decking market, it is moving to expand its penetration.

"We realize that there is a tremendous deck market out there and we definitely want a piece," said Chris Grober, assistant promotion manager for the CRA. "People don't realize that the amounts of redwoods produced are increasing every year and will continue to do so for the next few years."

One of the tasks Grober said the CRA had been working on in the recent past was to change the persistent misperception that redwoods take a long time to grow. This concern fuels conservationist claims that the mills are destroying centuries-old organisms.

Recently, CBS Nightly News rekindled the environmental debate when camera crews focused on a 500-year-old, first-generation, California redwood that was cut in 20 minutes.

"It's true that they live a long time," Grober said, "but they grow faster than Doug fir or southern yellow pine." He said that although the 60-to-80-year growth to harvest cycle of redwood seems long, the species of conifer is the fastest among evergreens and has paved the way for the current crop to be harvested.

Among the market niches that evolved from the second growth harvest have been what the industry refers to as garden-grade redwood for decks and fencing and rustic, knotty that are competing with cedar and building materials in siding applications.

Popular with the affluent

Harold Bratten, national sales manager for Miller Redwood Co., Arcadia, Calif., a member company of the CRA, said one reason redwood has reappeared in the East is that the species never lost favor with affluent shoppers or those who wanted to improve the look of their backyards.

"Like red cedar, our industry was knocked out when all the treaters came on the scene with their heavy promotion and spending millions and millions on advertising," Bratten said. "But I don't think they ever realized that redwood never lost its popularity. It's just a better looking product."

A merchandising executive for Knox Lumber, St. Paul, Minn., whose chain's sales of redwood jumped 50 percent this summer, said when treated lumber and redwood are within similar price points, most deck shoppers pick the redwood. It's only when redwoods start inflating that the product suffers in the market, the executive noted.

"It's been a wonderful year for all redwood, cedar and treated, but our redwood sales have probably doubled," the executive said, who asked not to be named. "I think it's the perception of our shoppers that redwood is a quality product."

Daigneault, the lumber buyer for Gerrity Building Centers in New Hampshire, said he sensed that redwood sales were fueled by a degree of vanity on the part of some shoppers who wanted a "distinctive alternative" to treated lumber. Moreover, he said many of the chain's builder and consumer shoppers had expressed concerns about the chemicals used in treated lumber.

He added the company advises its shoppers to use treated and redwood in tandem in building decks. The treated lumber forms the ground-contact pillars while the redwood is the deck surface.

FINANCIAL NEWS

Dealers juggle many factors to gain vendor financing

By Phillip M. Perry
NHCN staff editor

With merchandise being such a large portion of a home center's assets, most retailers are always searching for as much vendor financing as possible.

Behind the Numbers

The more vendor financing obtained, the less debt needed to finance inventory sitting on the shelf or in the warehouse. Interest payments are minimized. Company earnings are enhanced.

Some observers have said part of the allure of warehouse retailing is that such operators can turn merchandise so fast they get cash from customers before it's time to pay vendors.

Inventory factors differ

In reality, however, a variety of competing forces determines what portion of inventory a home center can get a vendor to finance.

Vendor Financing of Inventory
(Average Accounts Payable Divided by Average Inventory)

Strober Organization	119%
General Bldg. Products	58
Wolohan	51
Lowe's	49
The Home Depot	38
Payless Cashways	34
Hechinger	32
Scotty's	32
Pay 'N Pak	21
Median	38

Source: Company reports. *NHCN* chart.

One retailer buys a huge quantity of one category of merchandise, so it's in a position to negotiate longer dating. Another invests heavily in commodity items, and thus achieves greater turns, which facilitate more vendor financing.

Still another sells a greater portion of merchandise in bulk deals to large contractors. So it negotiates dating to match delivery and collection.

Still another prefers to take every discount offered. While that represents a good cash investment, it results in less vendor financing of inventory.

"To be in this business, you have to take advantage of the terms," says Robert S. Koebele, vp finance for General Building Products, Medford, N.Y. While this company reports it often gets items such as windows and doors for a 2 percent discount for payment in 10 days, that doesn't apply to many other departments.

"Some vendors give you no terms," says Koebele. In such cases, whether the check goes out in 30 or 60 days depends on what deal was struck with those vendors.

Dating terms vary

Some retailers say vendors of commodities often require prompt payment, often by the 10th of the month subsequent to delivery. "In such cases, the maximum you get is 40 days, but it can get as tight as 11 days," noted Marshall L. Day, controller of The Home Depot. Yet he says that for some special categories vendors will give three months' billing.

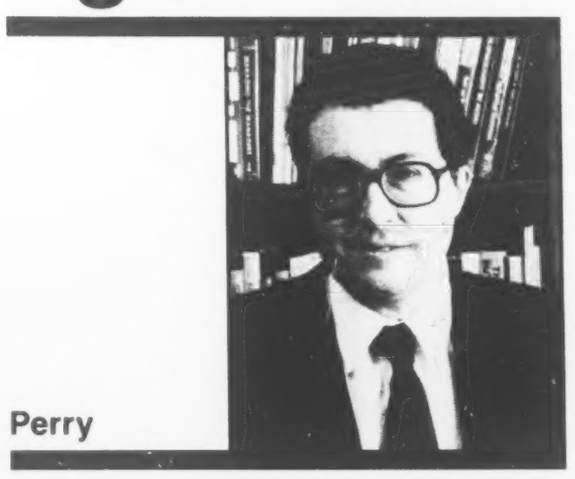
Chains experience quite a spread in the number of days they take to pay vendors. The number can be calculated first by dividing the cost of goods sold by the average accounts payable, to get an accounts payable turn. Then 360 is divided by the turn number to get the number of days of vendor financing.

When nine publicly held building material retailers are considered as a group, they experience a median of 31 days between arrival of merchandise and sending of checks to vendors.

Strober Organization pays in an average of 48 days, well over the second place runner, Lowe's, which pays in an average of 35 days. Those paying fastest are Hechinger at 26 and Wolohan at 25.

How promptly vendors get their checks is but one factor impacting their financing of inventory. The other is how fast the retailer turns inventory, on the average.

The two factors together determine the percentage of total inventory financed by vendors. For nine retail chains, the median vendor coverage of inventory in 1986 was 38 percent.


Perry

In 1986, Strober Organization was clearly the most aggressive, with vendors financing no less than 119 percent of its inventory.

"This means it's not a drain on our working capital to open a new facility," says Gary A. Nacht, cfo for Strober.

Retailers negotiating more than the median amount of vendor financing seem, like Strober, to have strong contractor trade. General Building Products, Wolohan and Lowe's all achieved above median vendor coverage.

* * * * *

The bottom line—The total size of mergers involving retailers more than doubled from $9.3 billion in 1985 to $20 billion in 1986, according to a report last month from Arthur Andersen & Co., Chicago.

An angry mob from aisle "C" confronts Mr. Mertz about his confusing assortment of watering products, causing him to become somewhat of a sprinkling system unto himself.

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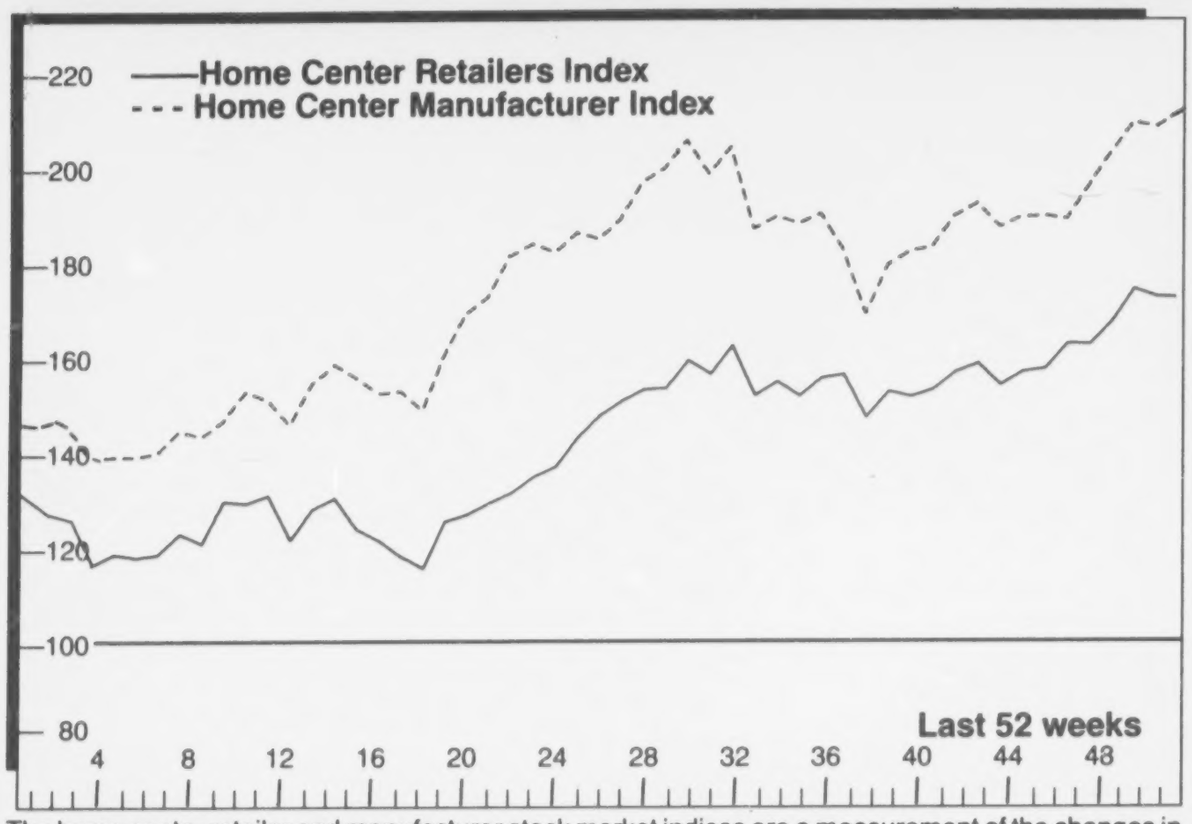
FINANCIAL NEWS

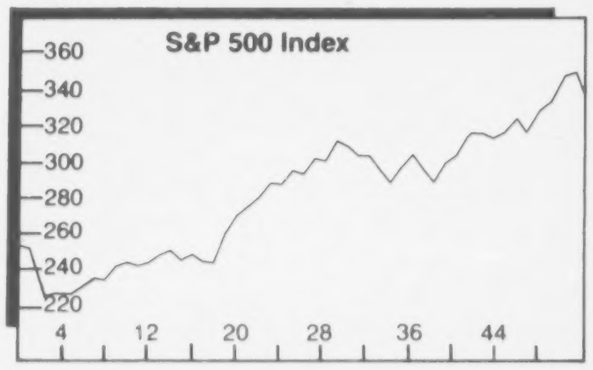


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on February 5, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
9-04-87		(100)	%	%
Lewis Palmer	M	2,903	258.7	7.6
USG Corp	N	38,830	241.9	13.6
Pope & Talbot	N	5,472	239.6	- 1.1
Supermkts Gen	N	8,870	223.9	- 1.3
Wickes n	N	23,280	204.4	3.4
Nortek Inc	N	6,091	188.5	- 2.8
Hughes Supply	N	743	185.9	- 5.2
Payless Cash	N	21,837	181.3	- 8.9
Stanley Works	N	7,171	180.0	- 3.5
Thos Inds	N	1,252	173.9	- 2.3

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market		2-Weeks Ended 9-04	2-Week Price Change	Total 2-Week Volume
9-04-87		$	%	(100)
USG Corp	N	45.88	13.6	38,830
Lewis Palmer	M	8.88	7.6	2,903
Clairson Intl	M	10.50	5.0	1,979
Wickes n	N	19.00	3.4	23,280
Newell Co	N	40.13	1.9	1,884
Pay n Pak	N	20.88	1.2	683
Am Standard	N	52.50	1.0	11,208
Am Consum Prods	M	14.00	.0	1,029
Natl Lumber	M	5.00	.0	380
Natl Hardgoods	M	8.88	.0	313
Losers		$	%	(100)
Wolohan Lumber	M	16.13	- 14.0	2,276
Sears, Roebuck	N	52.25	- 9.9	74,119
Masco Corp	N	35.00	- 9.7	24,695
K mart Cp	N	42.25	- 9.4	58,006
Payless Cash	N	20.50	- 8.9	21,837
Union Camp	N	41.00	- 8.9	23,109
Am Woodmark	M	13.50	- 8.5	135
Moore Handley	M	8.25	- 8.3	11
Zayre Corp	N	28.38	- 8.1	38,440
Potlatch Cp	N	34.75	- 7.9	3,985

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price: 2-Weeks Ended 9-04-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Grossman's Inc	M	9.13	- .63	- 6.4	9.75	9.13	11.25	6.75	10,340	5.17	5.18	- .2	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A	M	24.00	- 1.25	- 5.0	26.13	24.00	26.50	16.00	11,611	10.62	6.08	74.7	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	23.75	- 2.00	- 7.8	26.25	23.75	26.75	16.25	590	.37	.27	37.0	21.4	.06	.3	NEW	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot	N	39.00	- 2.50	- 6.0	41.88	38.25	42.13	16.50	8,259	2.80	2.05	36.6	28.9	.02	.1	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.50	78.6	715.4	47.2	28.4	130.9	.93	93.8
INTERCO Inc	N	50.88	- 1.63	- 3.1	53.50	49.50	54.00	36.63	6,676	2.34	1.79	30.7	15.5	1.60	3.1	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp	N	42.25	- 4.38	- 9.4	47.13	42.25	48.38	28.84	58,006	2.88	1.66	73.5	13.2	1.16	2.7	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos	N	26.75	- 1.38	- 4.9	28.50	26.50	32.75	22.50	10,913	2.75	1.35	103.7	18.3	.44	1.6	NEW	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods	M	8.88	.00	.0	9.25	8.75	10.00	6.88	313	2.54	1.15	120.9	12.7	.00a	.0	.....	3 mos.	04-87	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Natl Lumber	M	5.00	.00	.0	5.50	5.00	7.50	4.00	380	.67	.36	86.1	NE	.00	.0	.....	*	04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak	N	20.88	.25	1.2	21.00	20.63	21.50	9.50	683	.68	4.61	- 85.2	26.8	.40	1.9	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash	N	20.50	- 2.00	- 8.9	22.50	20.25	26.88	15.88	21,837	6.30	2.24	181.3	16.1	.16	.8	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc	N	14.00	- .38	- 2.6	15.00	14.00	15.88	12.00	1,692	1.16	.54	114.8	19.7	.52	3.7	NEW	fiscal	06-87	136.4	1.3	3.3	- 13.2	.23	- 11.5	515.3	4.3	10.3	- 23.7	.71	- 23.7
Sears, Roebuck	N	52.25	- 5.75	- 9.9	59.00	52.00	59.50	39.00	74,119	1.97	1.07	84.1	12.7	2.00	3.8	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt	N	29.38	- 1.13	- 3.7	30.75	29.25	31.88	20.50	8,828	7.92	6.89	14.9	22.3	.60	2.0	NEW	3 mos.	04-87	79.4	2.1	3.1	- 6.1	.28	- 3.4	79.4	2.1	3.1	- 6.1	.28	- 3.4
Strober Organiz	M	10.25	.00	.0	11.00	10.25	15.25	10.25	696	1.15	1.04	10.6	10.9	.00	.0	.....	6 mos.	06-87	26.3		1.6		.26		47.6		2.6		.43	
Supermkts Gen	N	39.00	- .50	- 1.3	40.25	39.00	46.75	22.50	8,870	2.30	.71	223.9	25.5	.28	.7	.....	3 mos.	04-87	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes n	N	19.00	.63	3.4	21.13	18.00	25.00	15.63	23,280	4.87	1.60	204.4	6.3	.00	.0	.....	3 mos.	04-87	1540.4	54.8	82.7	426.8	1.70	1600.0	1540.4	54.8	82.7	426.8	1.70	1600.0
Wolohan Lumber	M	16.13	- 2.63	- 14.0	18.38	15.63	18.75	7.50	2,276	3.88	2.06	88.3	13.1	.20	1.2	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp	N	28.38	- 2.50	- 8.1	31.50	28.25	32.88	20.75	38,440	6.61	5.14	28.6	10.2	.40	1.4	NEW	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																														
Hughes Supply	N	27.13	- 1.50	- 5.2	30.25	27.00	30.25	20.63	743	2.23	.78	185.9	11.9	.40	1.5	NEW	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley	M	8.25	- .75	- 8.3	8.50	8.25	14.50	6.75	11	.04	1.34	- 97.0	18.8	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer	M	8.88	.63	7.6	8.88	8.38	9.88	7.25	2,903	7.21	2.01	258.7	24.0	.28	3.2	NEW	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc	M	13.00	- .25	- 1.9	14.00	13.00	14.00	8.00	246	1.45	1.67	- 13.2	12.3	.32b	2.5	.....	6 mos.	04-87	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers																														
Am Consum Prods	M	14.00	.00	.0	14.00	13.50	14.25	8.50	1,029	4.95	2.96	67.2	20.9	.00	.0	.....	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard	N	52.50	.50	1.0	55.00	50.75	55.00	38.00	11,208	3.48	1.65	110.9	14.0	1.80	3.4	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark	M	13.50	- 1.25	- 8.5	14.75	13.50	17.13	10.00	135	.20	.45	- 55.6	15.0	.00	.0	NEW	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld	N	42.00	- 2.75	- 6.1	44.88	41.38	47.38	24.88	13,383	2.82	1.95	44.6	14.5	.90	2.1	.....	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker	N	25.00	- 1.38	- 5.2	26.13	24.25	26.50	15.38	27,290	4.70	2.27	107.0	34.7	.40	1.6	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade	N	82.25	- .13	- .2	84.88	81.38	86.88	55.75	12,525	4.30	2.05	109.8	21.1	1.90	2.3	.....	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1848.2	.2	75.4	33.9	2.47	30.0
Certain-teed	N	42.00	- 2.75	- 6.1	45.75	42.00	45.75	26.88	1,384	.73	.72	1.4	13.3	1.00	2.4	.....	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl	N	38.00	- 2.63	- 6.5	41.63	38.00	43.50	24.38	37,483	3.98	1.99	100.0	10.6	.80	2.1	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl	M	10.50	.50	5.0	10.50	9.75	18.25	9.75	1,979	3.89	3.26	19.3	24.4	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus	N	65.88	- 4.13	- 5.9	70.25	65.88	71.88	37.75	12,795	2.58	1.49	73.2	20.5	1.68	2.6	.....	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	16.8	1.47	14.0
DeSoto Inc	N	39.50	- 2.00	- 4.8	42.00	39.50	43.75	34.25	664	1.68	.74	127.0	25.3	1.40	3.5	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp	N	48.88	- 1.63	- 3.2	52.63	48.38	52.63	30.75	5,149	1.65	.96	71.9	NM	1.60	3.3	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.92	29.6	1231.6	18.7	56.8	42.0	1.82	30.9
Georgia Pacific	N	43.13	- 3.13	- 6.8	48.38	43.13	52.75	34.00	41,348	3.74	2.32	61.2	11.6	1.00	2.3	.....	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp	N	23.88	- .75	- 3.0	25.25	23.63	28.13	18.31	5,199	2.50	1.34	86.6	15.1	1.00b	4.2	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific	N	35.63	- 2.38	- 6.3	39.75	35.25	39.75	24.28	26,203	6.84	2.81	143.4	14.7	.80b	2.2	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel	M	21.00	- .75	- 3.4	22.25	20.88	22.38	8.44	10,872	1.07	.84	27.4	NA	.68	NA	.....	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp	N	3.75	.00	.0	4.00	3.63	5.38	1.63	8,045	3.35	4.33	- 22.6	.9	.00	.0	.....	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp	N	35.00	- 3.75	- 9.7	39.25	34.50	40.88	23.50	24,695	1.87	1.04	79.8	20.2	.40	1.1	.....	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds	M	11.25	.00	.0	11.50	10.75	14.50	10.75	113	.45	.38	18.4	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co	N	40.13	.75	1.9	43.00	39.50	43.00	24.00	1,884	1.64	1.25	31.2	17.3	.84	2.1	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc	N	13.13	- .38	- 2.8	13.88	12.63	17.38	11.75	6,091	3.75	1.30	188.5	10.6	.10	.8	.....	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn	N	23.88	- 2.00	- 7.7	26.88	23.50	32.38	8.88	13,713	3.66	3.50	4.6	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem	A	16.88	- .50	- 2.9	17.50	16.00	18.13	10.00	2,738	2.46	1.05	134.3	17.4	.12	.7	.....	6 mos.	06-87	82.1	38.9	3.8	58.3	.32	6.7	152.7	39.2	7.1	61.4	.61	8.9
Pope & Talbot	N	22.63	- .25	- 1.1	27.25	22.63	27.25	9.50	5,472	4.55	1.34	239.6	10.2	.44	1.9	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp	N	34.75	- 3.00	- 7.9	39.25	34.25	41.88	25.75	3,985	1.49	1.15	29.6	12.7	.84	2.4	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds	N	46.00	- 2.38	- 4.9	50.25	45.50	53.50	31.75	35,577	2.98	1.54	93.5	16.0	1.08	2.3	.....	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms	N	32.75	- 2.38	- 6.8	35.00	32.25	38.50	22.75	12,139	2.73	1.10	148.2	13.6	.56	1.7	.....	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works	N	34.25	- 1.25	- 3.5	36.63	33.88	36.63	24.00	7,171	1.68	.60	180.0	17.1	.88	2.6	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds	N	21.50	- .50	- 2.3	22.00	20.25	22.63	15.50	1,252	1.26	.46	173.9	15.4	.68b	3.2	.....	6 mos.	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind	N	39.25	- 2.13	- 5.1	44.00	39.00	44.00	23.13	7,529	3.12	1.76	77.3	15.6	.12	.3	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp	N	41.00	- 4.00	- 8.9	45.75	41.00	48.19	33.19	23,109	3.14	1.51	107.9	17.6	1.16	2.8	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp	N	45.88	5.50	13.6	47.38	39.75	47.38	31.00	38,830	7.59	2.22	241.9	10.5	1.12	2.4	.....	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim	N	60.00	- .63	- 1.0	60.88	60.00	62.38	32.41	35,638	8.98	5.75	56.2	17.1	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind	M	11.63	- .50	- 4.1	12.00	11.38	13.25	6.34	887	1.40	1.14	22.8	19.4	.10	.9	NEW	fiscal	06-87	32.4	17.0	1.3	30.0	.20	- 37.5	117.1	19.7	3.8	35.7	.60	- 33.3
Weyerhaeuser	N	52.88	- .88	- 1.6	57.50	52.13	60.00	33.75	60,281	4.45	1.89	135.4	21.0	1.30	2.5	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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National
Home Center News ®

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Home centers place increasing emphasis on stockout problem

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Shortly after Mike Cole unlocks the doors of his store in Seaside, Calif., on Monday mornings, he goes to the computer terminal in his office.

Once there, he punches a familiar pattern of keys. After some whirring and clanking from the printer, out pops a report on what items are missing from his shelves.

As president of H&H Home Center, Cole views this Monday morning ritual as indispensable. After reviewing what items from

(Continued on page 95)

Robert Swanson, senior vp for Lowe's, said stockouts can cost dealers more than just a sale. But he questioned the economic feasibility of being "100 percent in stock" all the time.

Rising lumber prices leave dealers scrambling for stock

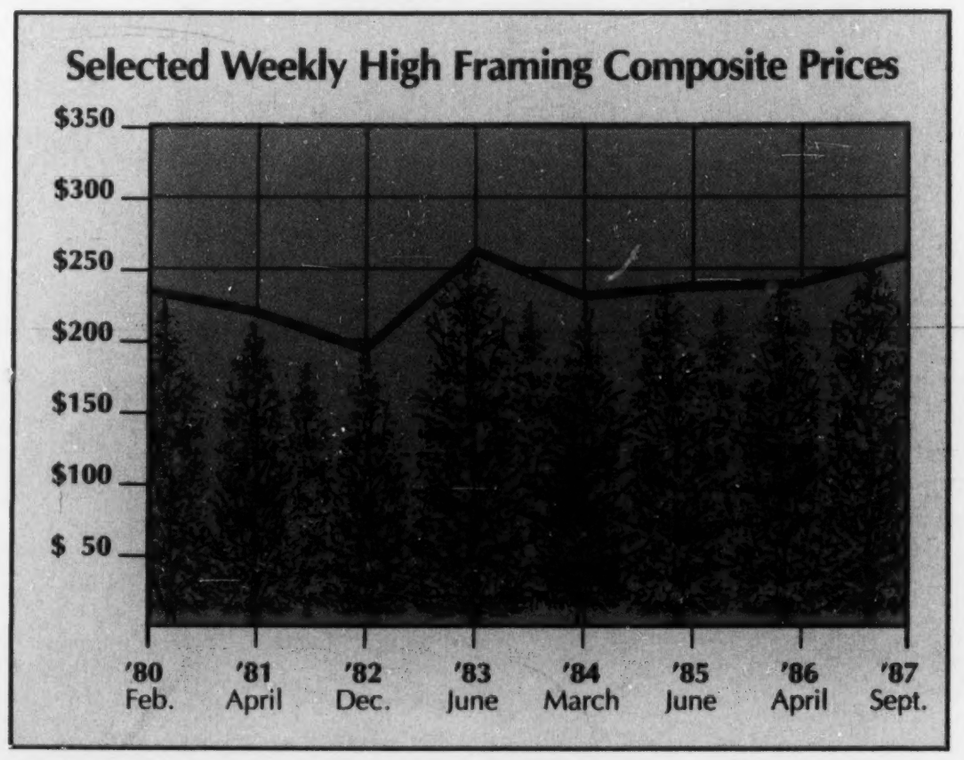
By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Walt Binney, the manager of Cash Bargain Lumber in Kansas City, Mo., never expected the local Builders Square to become a fill-in supplier of plywood for his store.

But in the closing days of summer, Binney's unit had exhausted its plywood inventory, suppliers had dried up and contractors refused to accept nonveneer structural panel substitutes. So he found himself going to Builders Square, which was selling ½-inch CDX for $6.99 a sheet, a competitive price to Weyerhaeuser or Georgia-Pacific area distribution centers.

Binney's dilemma illustrates clearly the problems home center lumber buyers faced during the latter part of August to early September as lumber and plywood prices soared to record levels and supplies became spotty.

(Continued on page 22)



This summer, as lumber supplies dried up, prices approached record levels for the decade.

Farm supply firm opts for DIY with six units

By Gary S. Ruderman
NHCN staff editor

FORT WAYNE, Ind. — Situated between a new Builders Square and one of Payless Cashways' older Furrows units is a Big R Store, part of a six-unit Indiana operation that's undergone a name and merchandising change to compete in a new era.

Still known corporately as Fleet Family Stores, Kokomo, Ind., the renamed Big R units shed their agricultural orientation as the farm economy sunk. It brought in new lines to convert the stores' 25,000-square-foot to 40,000-square-foot stores to home centers.

"We've been a fleet supply store since we started out [in 1961]," said Keith Dawson, a senior buyer in Kokomo, "but we're not a farm store anymore."

A signal of the changes became evident when the Ag and veterinarian supply department, once a Fleet Family staple that took up the entire rear section of the stores, was rele-

(Continued on page 95)

Fleet Family Stores has opted to move away from its traditional niche in farm supply, converting six units in Indiana to home centers. NHCN photo

U.S. vendors line up to reap dividends from Olympic Games

By an NHCN staff editor

NATIONAL REPORT — With six months to go before the Winter Olympic Games open in Calgary, Alberta, American vendors are lining up to reap the dividends associated with either official sponsorship or some variety of advertising support.

Already involved to some extent with the games (either as sponsors of the U.S. Olympic team or as advertising sponsors for the ABC broadcasts) are companies as diverse as Louisiana-Pacific, Briggs and Stratton, K mart, 3M and Stanley Works.

(Continued on page 95)

Manufacturers sell programs with new package designs

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — It's a family affair.

That's what manufacturers are discovering when it comes to packaging their products. In recent years, Stanley Works, Black & Decker, Emhart, American Standard, Universal-Rundle and USG Industries are among the myriad vendors that have revamped their packaging. The new look for all their products has created a "family" of items with corporate and brand identities with which consumers can more easily relate.

In doing so, manufacturers also appear to be paying more attention to the concerns of retailers.

"The problem we have generally found with packaging is that people are concerned about making it look good, but not about making it function well," says Tom Herward, vp-marketing and merchandising for Pittsburgh-based Busy Beaver.

"Now, that seems to be changing. People seemed to be concerned with both."

When Emhart redesigned its packaging, the aim was to make it more convenient for retailers and strengthen the Emhart name.

"Many people knew the individual products, but didn't know Emhart was behind them," notes David C. Musket, marketing manager of the company's home products division in Reading, Pa.

"Companies don't really realize how valuable their brands are," says Jack Vogler, senior vice president for San Francisco-based Landor Associates, the company that masterminded the Emhart repackaging, as well as the redesign of Black & Decker's logo and packaging.

Vogler says name recognition in the store is becoming

(Continued on page 96)

INSIDE

Home Fashions
Home centers in all parts of the country have been adding home decor items to their product mixes. However, many chains and independents claim to be having difficulty incorporating this merchandise into their project selling.

NEWSBREAKS

BIG TOOL BOX EXPANDS: The $4.7 million Aurora, Colo., independent will nearly double its sales from its purchase by Colorado Home Improvement Center. The buyer will rename its two other Denver hardware stores Big Tool Box.

HOME DEPOT SUES TO PROTECT NAME: The Atlanta chain filed suit in U.S. District Court against Office Depot, the seven-unit Boca Raton furniture specialty operation, which Home Depot claims has infringed on its name, advertising and store design.

INDUSTRY UPDATE

Westlake to close Lindsley deal

SAN ANTONIO, Texas — Lone Star Hardware here, a Westlake Hardware subsidiary, was expected to close the deal for its acquisition of the 21-unit Lindsley Home Decorating Centers in Miami by late October.

William Nightingale, president of Nightingale & Associates, New Canaan, Conn., the firm representing Lindsley, confirmed that an agreement was reached the week of September 14, but declined to say how much the acquisition cost Lone Star or its parent Westlake, Lenexa, Kan.

Antonini new K mart chairman

TROY, Mich. — Joseph Antonini, the president and ceo of K mart, became its chairman on October 1, replacing Bernard Fauber who retired on September 30 after 45 years with the firm.

The 46-year-old Antonini is a 23-year veteran of the nation's second-largest retailer and its sixth chairman.

He has worked in a wide range of positions, starting as a management trainee in 1964 and going up through the store- and corporate-level management ranks. In 1984 he became president and coo of K Mart's Apparel division; one year later he was named an executive vp of the firm.

A graduate of West Virginia University, Antonini is now running the 88-year-old firm with sales last year hitting $23.8 billion from 4,000 units that include the Builders Square chain.

Terry arson unresolved

SIMI VALLEY, Calif. — Despite a $10,000 reward being offered by The Terry Cos., no one has been arrested yet in connection with an arson blaze at the company's lumberyard here, chairman Terry Mullin said.

Mullin said "business is ongoing" at the lumberyard, which has been open during its regular hours since the mid-July fire. Fire investigators estimated damages to a large storage shed at $500,000. "The sales volume [at Simi Valley] is higher now than before the fire," Mullin added.

Nail supply ample for 4th qtr.

NATIONAL REPORT — The mid-summer shortage of nails evaporated quickly and both retailers and wholesalers report ample supplies heading into the traditionally quiet fourth quarter.

A combination of low interest rates that sparked heavy home building and marginally lower imports caused unprecedented demand this summer, forcing wholesalers to allocate monthly retail shipments.

Dave Oberbillig, vp-sales at Northwestern Steel & Wire in Sterling, Ill., said accelerated summer production by domestic suppliers combined with a slowed demand—due to higher interest rates—allowed inventory to build.

Allied adds 2 distributors

CHICAGO — Allied Hardware Services, a wholesaler buying group, boosted to 30 the number of its member distributors with the addition of Galbraith Steel & Supply Co., Dallas, and B.E. Atlas Co., Chicago.

The $7 million Galbraith Steel has 300 accounts in Texas and Oklahoma, serviced from distribution centers in Lubbock and San Angelo, Texas. The $19.5 million Atlas operates two DCs in Chicago, supplying hardlines to 1,000 primarily home center accounts in three states.

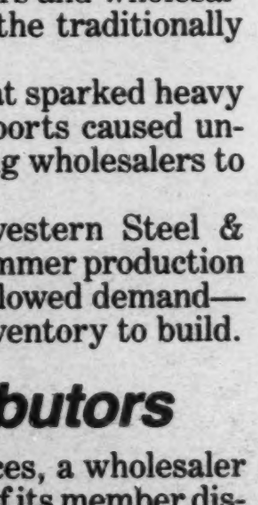
Stocks still on decline

NEW YORK — Wall Street continued to batter the price of home center stocks for the two-week period that ended Sept. 18. Of 59 stocks watched for *NHCN* by Media General, 41 declined in price while 14 increased.

Among retailers, Strober Organization increased by 4.9 percent to $10.75. Scotty's increased by 1.8 percent to $14.25.

General Building Products, a new addition to the list, declined by 4.7 percent to $10.25. Payless Cashways declined by 11 percent to $18.25 on news of its third quarter earnings decline. National Hardgoods Distributors declined 9.9 percent to $8.

Among wholesalers, Stanline went up 3.8 percent to $13.50.



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HQ Warehouse targets $15 mil. through 1.25 mil. share offering

By an NHCN staff editor

VIRGINIA BEACH, Va. — Home Quarters Warehouse, the chain of seven warehouse home centers based here, said it would raise close to $15 million in an initial public stock offering.

Offered by a group of underwriters managed by William Blair & Co., Chicago, the 1,250,000 shares are expected to be sold by the last week of October.

The bulk of the cash proceeds are expected to be used to fund expansion. About $5 million from the offering will be used to reduce existing debt.

In its preliminary prospectus of September 18, the company said it planned to open an additional five stores by the end of its 1988 fiscal year which ends January 1989. Two of the stores will be located in Charlotte, N.C., and the third in Charleston, S.C.

Two additional stores will be located in other markets that have yet to be determined.

All but one of the chain's seven units have showrooms in excess of 69,000 square feet. The exception is a 29,000-square-foot unit in Tallahassee, Fla., that primarily sells hardlines.

"We have always felt that at some point this would be an event we would do," said Frank C. Doczi, president of HQ, speaking of the public offering. "Our performance has been such that the decision was accelerated."

For 1986, HQ earned net income of $1.1 million on sales of $65.4 million, on a *pro forma* basis.

For the first six months of this year, the company earned $770,644 on sales of $42.9 million. The earnings include $150,000 in an after-tax gain from an operating loss carryforward.

W.R. Grace & Co. created HQ as a subsidiary in August 1984. In October 1986, the assets were purchased by certain management personnel. The buyers included HQ's chairman Bernard R. Kossar and Doczi.

To facilitate the continuing *(Continued on page 95)*

Retailers post strong 2Q sales gains

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Led by exceptionally high demand for lumber and by an increase in renovation projects, many home improvement retailers posted strong sales gains for the second quarter and are optimistic the trend will continue for the balance of the year.

However, some companies were more positive about their business than others. Citing persistent regional difficulties, retailers with operations in the oil patch and the farm belt regions said the struggle for profitability continued.

This was the case for Payless Cashways which saw its earnings for the period ended August 31 plummet 17 percent, partially as a result of operating 65 of its 188 stores in chronically depressed Texas, Oklahoma and Colorado.

Payless' quarterly net income fell to $11.1 million from $13.4 million in 1986. *(See story page 12.)*

Outside of the southern farm belt and oil regions, many home center operators were encouraged by their units' second quarter results.

Turning in one of the stronger performances was Wolohan Lumber Co., Saginaw, Mich., whose second quarter sales jumped 17 percent, spurred mostly by vigorous contractor activity.

Sales for the quarter were $64.5 million compared to $55 million for the same time period last year.

Company's margins improve

Robert G. Honaman, vp-administration for the company, said opportunistic commodity purchases taken earlier in the year and the refinement of some retail management practices combined to improve the company's margins as well.

Honaman said contractor sales went up 26 percent, while DIY volume rose 16 percent.

"We think our markets are going to remain strong," said Honoman, who was less sure about third and fourth quarter results because of rising interest rates.

The Home Depot showed similarly healthy sales activity for the quarter, reporting a revenue gain of 45 percent to $381 million. Comparable store sales rose 20 percent (*NHCN*, September 7).

Ron Brill, senior vp and cfo for the Atlanta-based chain, attributed the company's impressive performance to management and merchandising concepts enacted in 1985 coming to fruition. These included hiring outside financial advisers to reduce construction and energy costs. This was supplemented by clamping down on payroll costs and advertising expenditures.

"Our second quarter comparable store sales were very good and that helped our earnings," Brill said.

Some manufacturers assessing the activities of their retail customers were surprised by the industry's strong performance.

"It's hard to pinpoint why business was so good this summer," said Bob Turner, a corporate spokesperson for Champion International, Stamford, Conn. "People thought business would be off with mortgage rates rising, but that didn't seem to have

(Continued on page 95)

Fla. governor calls for repeal of ad tax

By an NHCN staff editor

TALLAHASSEE, Fla.— Florida Governor Bob Martinez has reversed his stance on the controversial advertising and services tax.

In preparation for a special legislative session regarding the future of the tax, Martinez has called for a complete repeal effective Jan. 1, 1988.

He is also calling for the state legislature to enact significant reform in the way the Florida budget is written. A third part of his message, issued Sept. 18, was, "Don't even think about replacing the service tax dollars until after the reform," said Jon Peck, deputy press secretary.

Prior to the special session, Peck speculated that the Florida Senate seems willing to repeal the tax, but the House seems more inclined to call for a revision of the measure.

The special session was called for Sept. 21. It could not be determined how long such a session would take.

At the same time in New York, discussion of the tax was on the agenda at the board meeting of the Association of National Advertisers.

The law, in its brief tenure, has met with opposition from home center suppliers. While some have considered boycotting advertising in the state, others are involved in lawsuits against the state that challenge the law on constitutional grounds such as taxing free speech.

Retailers have taken more of a grin-and-bear it attitude, due in large measure to the competitive nature of the Florida market. The tax was designed to raise revenue for the rapidly expanding state. An immediate repeal of the law could result in drastic budget cuts because Florida currently has no state income tax.

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Overseas tool makers manufacturing in U.S.

by Suzanne Floyd
NHCN staff editor

NATIONAL REPORT—Several foreign-based power tool makers have decided that manufacturing in the United States is economically sound and fosters good business relations.

Their production emigration is part of a larger trend of Asian and European firms—primarily led by car makers—setting up manufacturing shop on American soil. A number of foreign manufacturers of home improvement products have participated in this activity, but perhaps none so aggressively as power tool producers.

They are looking to address what continues to be a problem for U.S. dealers who want to buy from overseas firms, but are reluctant to commit to container-load quantities; and those who continue to prefer ordering from U.S.-based suppliers.

The West German-based Bosch Power Tools has had a manufacturing beachhead in New Bern, N.C., for more than a decade, and plans to expand its American operations.

Last year, Japan's Ryobi Limited decided to diversify into other areas. That diversification plan included buying into an existing plant formerly owned by Inertia Dynamics Corp. (IDC), Chandler, Ariz., a maker of string trimmers and blowers under theRyan name and private label.

Ryobi owns 34 percent of the company, and plans to acquire over 90 percent by the year's end. The resulting company is Ryobi Electric Tool Manufacturing.

Currency changes a factor

"The yen versus the dollar was obviously a part of the overall decision," explained Joseph Kuti, president of Ryobi America Corporation, Bensenville, Ill. But, "if we had not acquired IDC, we would have started manufactur-

(Continued on page 96)

Payless and Builders Square top industry TV ad spenders

By an NHCN staff editor

NEW YORK — Payless Cashways continued to lead the industry in television advertising spending for the period of January through June, 1987, according to the Television Bureau of Advertising (TvB) here.

Payless, the Kansas City, Mo., chain that has spent more than $100 million for all media over the past six years, increased its expenditure for TvB by 18 percent to $4,578,700 over this eight-month period, compared to 1986 data. The company would not comment on its use of television.

Brenda Nolte, a spokesperson for Payless, disputed the accuracy of TvB's numbers, though she declined to provide more precise information. Earlier last month, Payless chairman David Stanley, in an interview with *NHCN* on another subject, said his company "spends more on media than any other chain in the industry." A TvB source explained that the Bureau is not always privy to proprietary corporate data. Nevertheless he asserted with certainty that Payless outspends the rest of the industry, regardless of how far off TvB's numbers may be.

Builders Square ranked second in spending at slightly more than $4 million. Randy Crimmins, target marketing public relations manager, said that the 48 percent increase was due to chain expansion and that television is the medium used to create awareness in new markets. He noted,

(Continued on page 95)

Leading Home Center Television Advertisers
January/June 1987

	Jan/June '86	Jan/June '87	% change
Payless Cashways	$3,884,000	$4,578,700	+ 18
Builders Square	2,783,300	4,128,400	+ 48
Wickes Companies	4,694,800	2,926,100	– 38
Pay 'N Pak	1,511,100	1,819,500	+ 20
Grossman's	582,700	1,688,800	+190
The Home Depot	1,332,000	1,443,200	+ 8
Scotty's	693,400	942,700	+ 36
HomeClub	578,000	894,900	+ 55
Menard Cashway	598,100	821,600	+ 37
Lowe's	620,600	776,500	+ 25
National Lumber	604,200	654,300	+ 8
Handy Andy	492,100	650,100	+ 32
Hechinger	265,300	505,100	+ 90
Pergament	323,100	433,400	+ 34
Sutherland Lumber	414,700	426,700	+ 3

Notes: All of the above advertise in more than one television market, except where noted.
Co-op advertising is not included, but credited to the manufacturer by BAR.
Source: Television Bureau of Advertising from analysis of Broadcast Advertisers Reports data.

Officials determine Diamond fire arson

By an NHCN staff editor

INDEPENDENCE, Mo. — A fire at a closed Diamond Lumber store here was arson, fire department officials have determined.

"There is no doubt in our mind," said Dale Reynolds, assistant fire chief for the city, about the Labor Day fire.

The investigation continues

Reynolds said an investigation showed the fire had started in several locations, and could not have been caused accidently.

He said the department was continuing its investigation, but said it is a policy not to discuss the investigation unless charges are brought.

The fire, which began about 10 p.m., damaged a building containing some molding and trim.

Reynolds said a second, larger building was three-quarters intact with no smoke or fire damage. There were no injuries.

'Nominal' damage

Jerold Grubstein, president of Michigan General, Diamond's parent, could not put a dollar amount on the damage, but called it "nominal. We're not talking about hundreds of thousands of dollars here. We're probably not even talking about tens of thousands."

Grubstein said the store was closed several months ago as part of Diamond's Chapter 11 restructuring, and most of the merchandise had been removed. He said the property is for sale.

Redding, Calif., dealers unfazed by competition

By Brad Altman
NHCN staff editor

REDDING, Calif. — Traditionally, this is a region of "friendly rivalries" among DIY dealers, said an assistant manager of the Standard Brands Paint Co., whose store is right next door to a Pay 'N Pak unit.

Nevertheless, a new era could be emerging with the arrival of the first Payless Cashways-owned Lumberjack to this northern California city.

The new Lumberjack is scheduled to hold its grand opening in November and will be competing with several firmly entrenched retailers.

This opening is part of a larger expansion that is making Redding one of the more competitive regions in California. Standard Brands opened a 5,000-square-foot Home Decorating Center last January, according to Jim Sievers, its assistant manager.

Meeks Building Center, which has been in this market for several decades, just completed a second expansion of its larger Redding store, which now has a 16,000-square-foot sales floor on 10 acres.

There is a smaller 6,000-sq.-ft. store on Market Street. It gets around 65 percent of its sales from contractors.

The market is well represented—some say overstored—by such DIY players as Builders Emporium, Grossman's, Pay 'N Pak and Pay 'n Save Home Center.

However, no one in this rural community market believes this heated competition will ignite a cutthroat retail battle or heighten dealers' anxiety levels much. Indeed, underscoring the "friendly" atmosphere, single-unit Moss Lumber based here supplied the lumber that was used to build the Lumberjack facility.

The Payless Cashways-owned Lumberjack is scheduled to hold its grand opening in Redding, Calif., in November. NHCN photo

'Muddying the water'

Charlie Moss, vp of the family-owned, 12,000-square-foot Moss Lumber whose retail volume is around $12 million, doesn't appear too worried about the new kid in town.

"Lumberjack may muddy the water by blowing out cheap prices, but we're not really into that," said Moss, whose business is 60 percent contractor driven.

"Whoever did the marketing survey for Lumberjack and decided to build a facility here should have his head examined," said Moss. "There already is tremendous competition for the DIY business."

Fast growth area

With all these new entrants into the market, the good news for Redding dealers is that, so far, Builders Square, HomeClub and The Home Depot have not announced plans to enter this market.

Redding is one of California's most attractive cities, dotted with oak trees, divided by the Sacramento River, surrounded by forest-covered mountains and in the picturesque presence of 14,162-foot Mt. Shasta, 70 miles to the north.

It is also becoming a market to be reckoned with in the home improvement industry. According to *Sales and Marketing Management's Survey of Buying Power* (July 27, 1987) Redding ranks 198th among all U.S. metropolitan areas for building material and hardware store sales, totaling $72,412,000.

Redding grows rapidly

Redding has been growing rapidly, according to Moss, who served on the city planning commission for 12 years until this past April.

Moss pointed to signs of robust economic activity, including several major shopping centers, three hospitals and a convention center that make Redding northern California's regional center and the most populous city in the northern third of the state.

"Redding has some fantastic long-term potential," Moss continued. "When I joined the Planning Commission, Redding had a population of 18,500. Today, its population is about 53,500."

Moreover, Redding is located in Shasta County, which has a population of about 130,000.

There are an additional 130,000 persons in the five surrounding counties, meaning there are "a quarter of a million people spread out in six counties" in this part of California.

Within the city limits in the last five years, "Redding has seen an annual growth of 3 percent to 4 percent per year," Moss added.

However, some question how much business a market this size can absorb. "The market is just too small to support a warehouse," said Ken Walsh, general manager of the western division of Meeks Building Centers.

26,000-sq.-ft. Lumberjack

As proof of the market being overstored, Moss asserted that in the past decade, four lumberyards have shut down, but also said that the remaining independent lumberyards are "well-financed and can ride out some tough times."

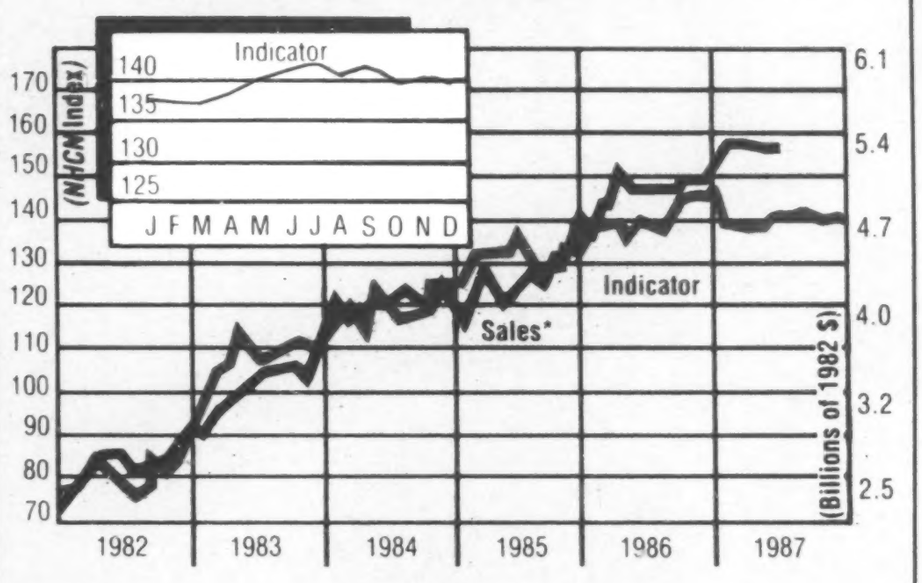
Still, Moss expects Lumberjack will "make life miserable for dealers who deal basically with DIYers."

Lumberjack is on the eastern edge of town at the intersection of Airport Road

(Continued on page 8)

BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NCHN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales increased slightly in the second quarter, but the rise in mortgage rates suggests weakness in starts and resales ahead.

Improving agricultural base boosts building material sales

By Richard E. Mount
Special to NHCN

The agricultural base of the West North Central states is on the mend in 1987, improving the economic climate for building material sales.

The manufacturing sector paints a mixed picture, however. For 1987, we expect retail building material sales to rise 14 percent in the region, faster than the 10 percent national average. Discounting the influence of inflation, unit sales for the region should rise 9 percent.

Nationally, net farm income should increase 14 percent this year to $42.7 billion, from $37.5 billion in 1986. Higher cash receipts for livestock, which will offset declines in the volume of crop sales, continued large government outlays in farm support programs and declines in the costs of agricultural production will boost farm income.

Richard E. Mount

World markets present a mixed picture for American agriculture. U.S. exports will be up sharply in volume because of the lower dollar and reduced wheat production overseas. But agricultural prices will also be down, limiting farm receipts from international sales.

Within the diversified farming sectors of the West North Central states, local economies in most areas will improve from the very low levels in recent years.

The U.S. corn crop will de-

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986				1987						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		124.7	127.9	136.2	139.1	141.1	143.8	146.3	143.6	118.5	132.0	143.7
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	63,708	64,396	62,956	64,584	69,660	68,780	72,672	74,560	55,695	65,529	71,418
	New England	3,012	3,270	3,435	3,488	3,672	3,869	3,830	3,907	2,597	3,301	3,819
	Middle Atlantic	7,468	7,896	7,956	8,274	8,600	9,286	9,280	9,484	6,427	7,899	9,163
	East North Central	9,864	11,647	11,365	11,627	11,515	12,809	12,928	13,279	10,081	11,126	12,633
	West North Central	3,938	4,423	4,600	4,610	4,626	5,159	5,036	5,152	4,114	4,393	4,993
	South Atlantic	14,006	13,410	12,099	12,405	13,964	12,896	14,622	15,016	11,135	12,980	14,124
	East South Central	3,717	3,800	3,665	3,549	4,120	3,967	4,208	4,339	3,104	3,683	4,159
	West South Central	8,328	7,653	7,057	7,052	8,109	7,448	7,856	8,060	7,320	7,523	7,868
	Mountain	3,660	3,308	3,352	3,508	3,797	3,428	3,888	4,004	2,956	3,457	3,779
	Pacific	9,715	8,988	9,427	10,071	11,257	9,918	11,024	11,318	7,827	9,550	10,879
Constant	**Millions $1982 SAAR Total United States**	59,719	62,132	59,866	60,242	64,420	63,411	65,750	66,200	52,663	60,490	64,945
	New England	2,823	3,155	3,266	3,254	3,396	3,567	3,465	3,469	2,463	3,125	3,474
	Middle Atlantic	7,000	7,618	7,566	7,718	7,953	8,561	8,396	8,421	6,096	7,476	8,333
	East North Central	9,246	11,238	10,807	10,845	10,649	11,809	11,697	11,790	9,564	10,534	11,486
	West North Central	3,691	4,267	4,374	4,300	4,278	4,756	4,556	4,574	3,903	4,158	4,541
	South Atlantic	13,129	12,939	11,505	11,571	12,914	11,889	13,229	13,333	10,562	12,286	12,841
	East South Central	3,484	3,666	3,485	3,310	3,810	3,657	3,807	3,853	2,944	3,487	3,782
	West South Central	7,807	7,384	6,711	6,578	7,499	6,867	7,108	7,156	6,944	7,120	7,157
	Mountain	3,431	3,192	3,187	3,272	3,511	3,160	3,518	3,555	2,804	3,271	3,436
	Pacific	9,107	8,672	8,964	9,394	10,410	9,144	9,974	10,049	7,425	9,034	9,894
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	4.73	5.08	5.46	5.40	5.27	5.63	5.27	5.24	4.68	5.17	5.35
	Middle Atlantic	11.72	12.26	12.64	12.81	12.35	13.50	12.77	12.72	11.58	12.36	12.83
	East North Central	15.48	18.09	18.05	18.00	16.53	18.62	17.79	17.81	18.16	17.41	17.69
	West North Central	6.18	6.87	7.31	7.14	6.64	7.50	6.93	6.91	7.41	6.87	6.99
	South Atlantic	21.98	20.82	19.22	19.21	20.05	18.75	20.12	20.14	20.06	20.31	19.77
	East South Central	5.83	5.90	5.82	5.50	5.91	5.77	5.79	5.82	5.59	5.76	5.82
	West South Central	13.07	11.88	11.21	10.92	11.64	10.83	10.81	10.81	13.19	11.77	11.02
	Mountain	5.74	5.14	5.32	5.43	5.45	4.98	5.35	5.37	5.32	5.41	5.29
	Pacific	15.25	13.96	14.97	15.59	16.16	14.42	15.17	15.18	14.10	14.94	15.23
Industrial Production												
Index (1977 = 100)	Brick	90.3	91.1	94.0	96.3	98.1	97.1	95.4	92.3	88.5	92.9	95.7
	Cement	114.7	108.7	105.6	108.0	117.9	111.1	105.2	104.7	105.7	109.3	109.7
	Gypsum Wallboard	132.8	133.7	132.3	134.5	134.6	134.2	133.1	132.1	126.4	133.3	133.5
	Hardware	99.9	102.1	104.1	102.2	102.9	103.8	103.2	102.9	100.9	102.1	103.2
	Lumber Products	130.3	132.8	134.1	135.9	139.8	143.7	138.2	131.6	122.9	133.3	138.3
	Paint	101.1	103.0	100.2	96.4	100.0	97.3	106.4	105.2	101.9	100.2	102.2
	Plywood	154.5	161.4	164.3	166.8	175.6	181.0	175.0	162.0	138.7	161.8	173.4

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
August 21, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Building material sales helped by agriculture

(Continued from page 16)
cline by 13 percent in 1987. U.S. exports, however will rise to 40.7 million metric tons, up from 39.4 million metric tons in 1986. U.S. prices are low on world markets, and weather related production problems exist in other countries.

Wheat goes up

U.S. wheat production is likely to be up 2 percent this year, despite a sharp reduction in harvested acreage.

Total domestic usage will fail because less wheat will be used for animal feed. But a sharp rise in exports and steady gains in consumption of flour-based products by consumers will result in a modest increase in grain requirements.

Livestock sales to improve

Income from livestock sales is improving. Consumer prices for beef will be heading higher while production costs will be down.

Cattle on feedlots are up 9 percent from a year ago, the combination of higher cattle prices and inexpensive feed grains. But herd expansion will be slow.

Hog prices, which have been well over $60 per hundred pounds, will decline moderately through the end of 1988 as animal slaughter rises. But low corn prices will keep production costs in check. Profits will rise.

Size of herd reduced

The dairy termination program has reduced the size of the milk herd to its lowest level since the Department of Agriculture started estimating the summer herd in 1973.

Government price support programs have also been reduced, lowering production and increasing commercial demand for cheese and butter.

Milk prices have turned up as a result of these changes in production and demand.

Computer industry rebounds

A number of West North Central states—Minnesota and Missouri in particular—have a concentration in manufacturing capital goods and automobiles.

The computer industry is on the rebound now, and other types of producers' durable equipment will respond favorably to the lower dollar and higher operating rates in manufacturing.

The big question mark for manufacturing is the auto sector. Sales are down from a year ago because of prior sales promotions, and the possibility of an auto strike cannot be dismissed.

Minnesota, Iowa strongest

The strongest states for building material sales gains in the West North Central states are likely to be Minnesota and Iowa.

Minnesota has a high technology economic base; Iowa is rebounding from a very low level. Both have the strongest employment growth rates from a year ago, and resale gains in 1986 were very high.

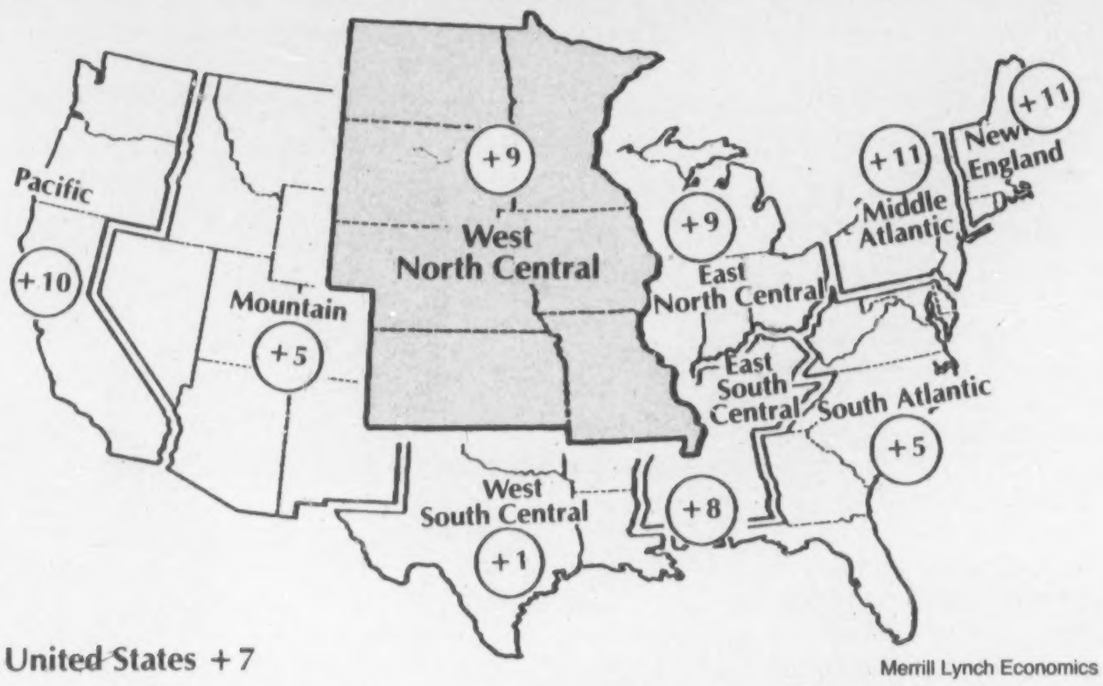
Growth expected

Growth, near the regional average of 9 percent, will occur in Kansas, Missouri and Nebraska. Employment growth is about 1 percent and resale markets have been strong.

The weakest states for sales, however, will be North Dakota and South Dakota. Employment growth is only 0.4 percent from a year ago and resale markets are sluggish.

Building Material and Supply Store Sales Outlook for 1987

Percent Change Unit Volume



United States +7

Merrill Lynch Economics

Sales are real dollar increases vs. previous year after inflation.

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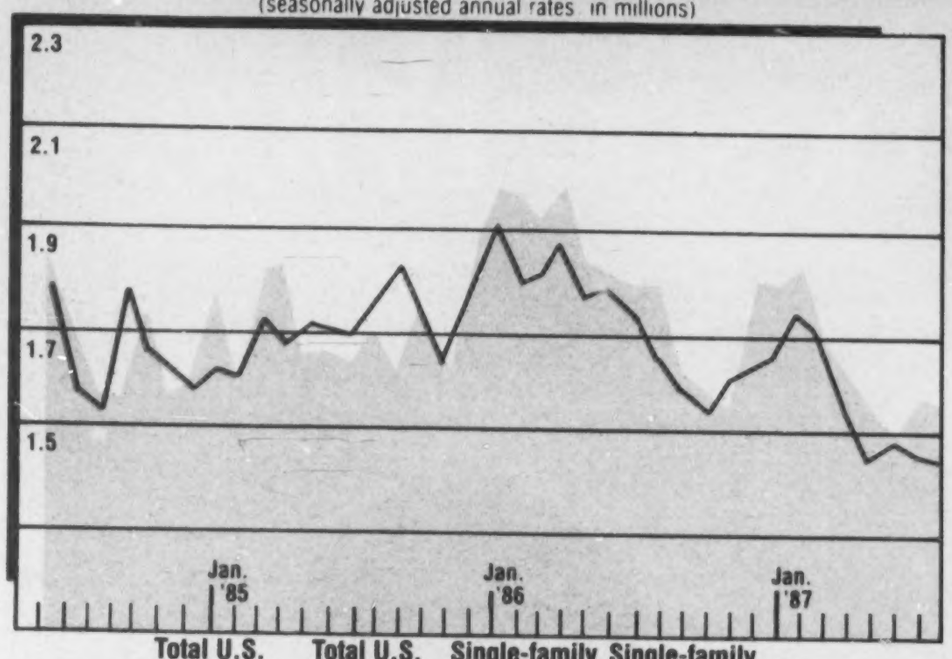
Circle 16 on Reader Service Card

HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

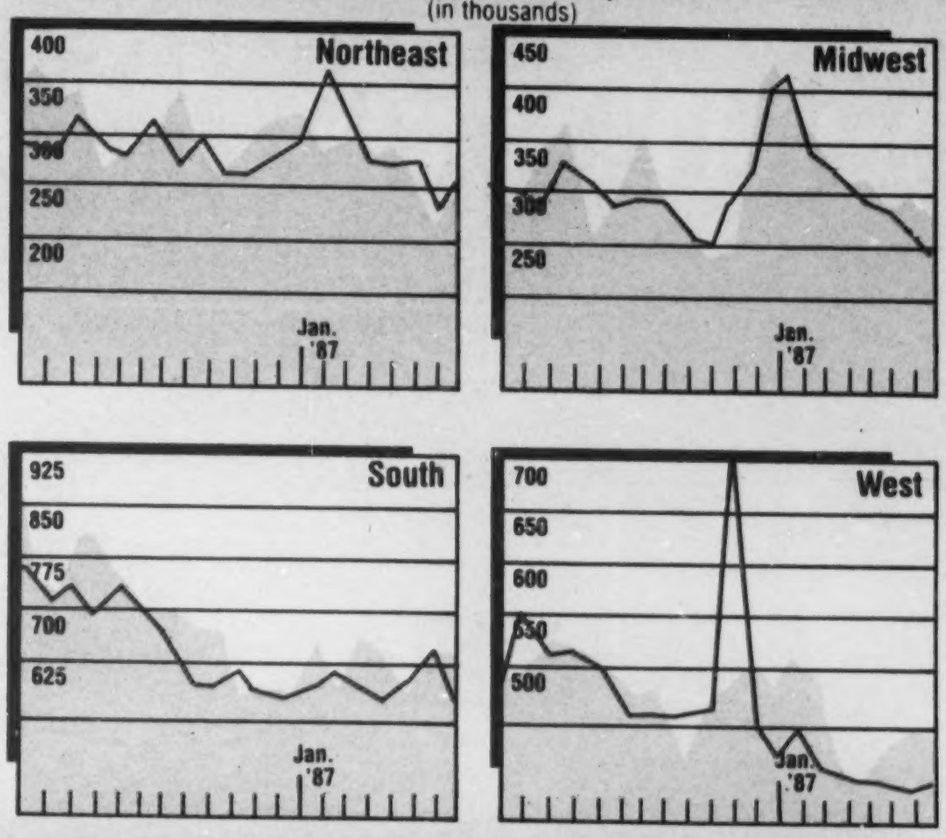


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
August '87[p]	1,582	1,486	1,098	1,010
July '87[r]	1,606	1,487	1,150	993
August '86	1,822	1,654	1,197	1,031

[p]preliminary [r]revised Source: U.S. Commerce Department

Key: permits, starts

Regional housing starts and permits
(in thousands)



August starts hit low point; forecast gloomy

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — Housing starts in August hit their lowest point since April 1983, and economists made gloomy predictions for the rest of the year.

The Commerce Department reported that starts were down 1.5 percent nationally. At the same time, mortgage rates continued to increase, a bad signal for potential home buyers.

And John Tuccillo, chief economist for the National Association of Realtors warned that "the August figures are a lot worse than they look. The whole thing was sustained by an increase in multifamily [units], and that's not something you can count on."

Multifamily starts were up 6.1 percent, to 484,000 units, from 456,000 in July.

Nationally, total starts slipped from 1,606,000 in July to 1,582,000. Single-family starts dropped from 1,150,000 to 1,098,000. Starts have been off five of the past six months.

Regional Housing
July '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	248	−13.9	255	−9.6
West	426	− 2.5	384	−4.6
South	634	− 0.8	598	+8.7
Midwest	274	+10.9	249	−1.2

n.c. = no change
Source: U.S. Commerce Department

Total building permits slipped from 1,487,000 to 1,486,000, but single-family permits increased from 993,000 to 1,010,000.

The permit increase was due entirely to the South, where applications were up 8.7 percent. Starts in the region declined only 0.8 percent.

Starts were up 10.9 percent in the Midwest, while permits were down 1.2 percent.

The largest decline in both categories came in the Northeast, where starts dropped 13.9 percent and permits declined 9.6 percent.

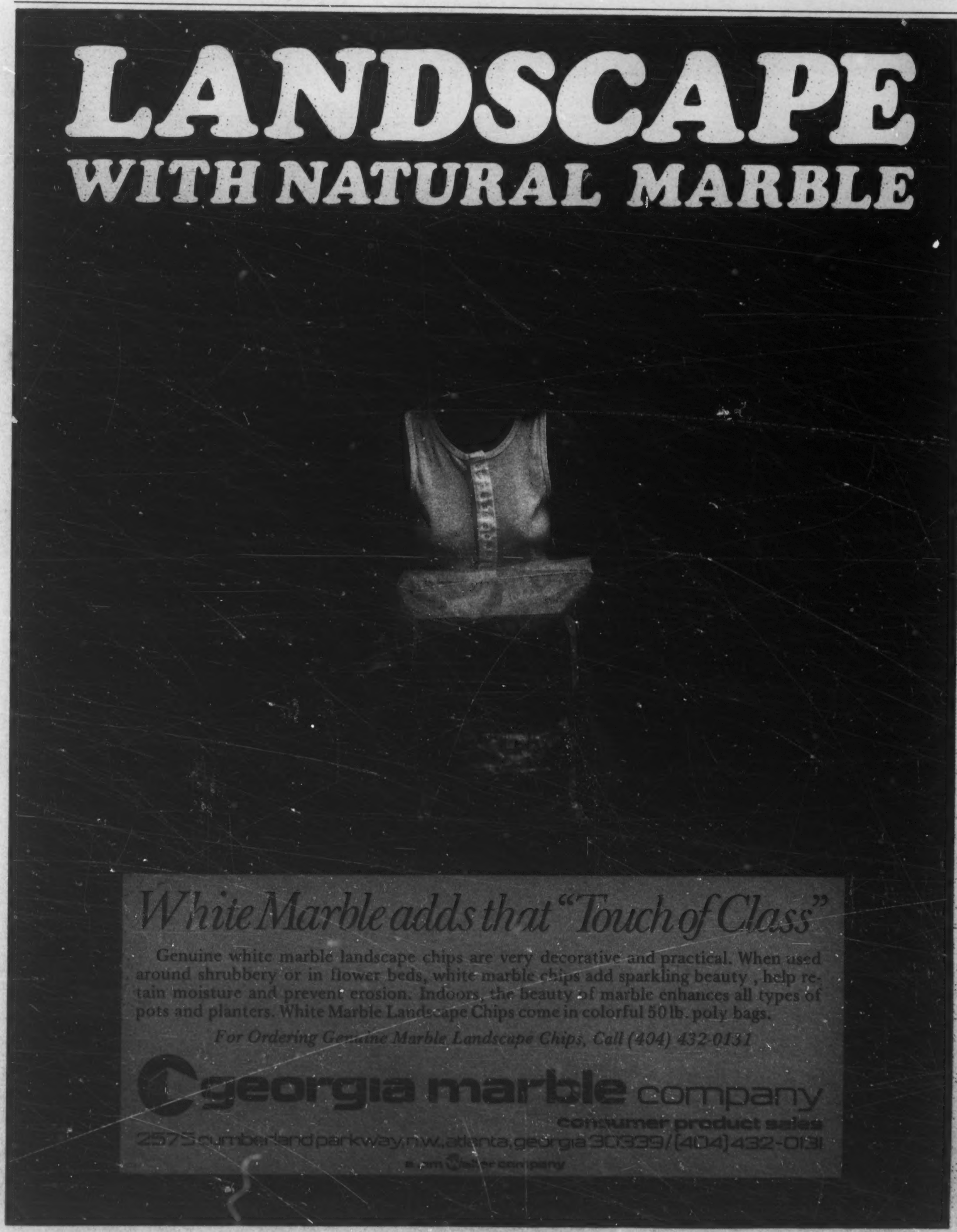
Mark Obrinsky, senior economist for the U.S. League of Savings Institutions, attributed the Northeast decline to rising land prices. He said rising mortgage rates along with housing scarcity in the region could squeeze out marginal buyers.

Economists have jettisoned previous optimistic predictions and now say starts will be down for the year.

The Mortgage Bankers Association's senior economist Richard Peach said the weakness would run through 1988.

And he said the drop in starts may mean builders' inventories of homes are at higher levels than normal.

With mortgage rates up almost two percentage points since March—and fixed-rate mortgages thought to be at 12 percent by January—the housing surplus doesn't necessarily spell more sales.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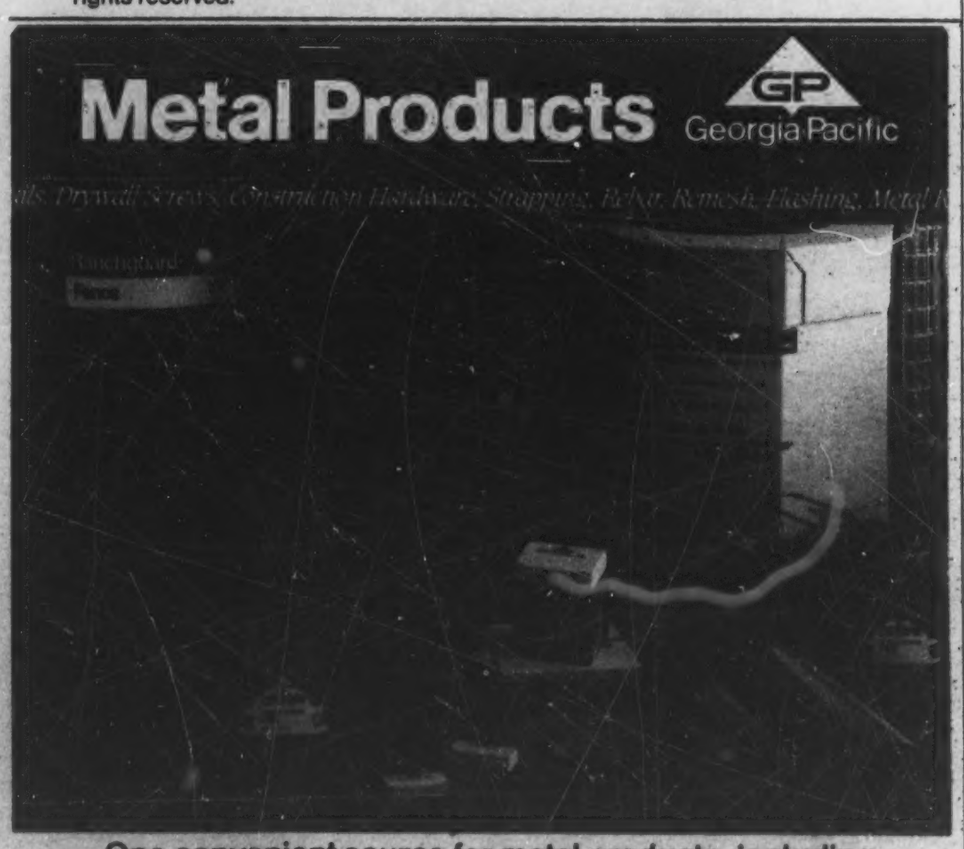

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LUMBER REPORT

Lumber prices reach decade high as dealers scramble for inventory

(Continued from page 1)

A combination of factors—including record U.S. and Canadian mill exports overseas, the Canadian rail strike, high domestic consumption (especially for treated material), and a psychological fear of future scarcity brought on by Northwest forest fires (*see story page 22*)—has sent prices to points seen only once before this decade.

For the week of September 4th, *Random Length's* framing lumber composite—a combined average of nine major products and species—was $263 per thousand board feet, 25 percent higher than the $210 price for the same period a year ago.

Not since the spring of 1983 have price points been as high.

In certain products and species, however, the trend was even more dramatic. Last year, 2x4 No.2 kiln dried southern yellow pine ended the week at $213 a thousand board feet, a 36 percent jump over last year's level to $290 per thousand board feet.

The impact of exports on domestic supplies appears to have been a pivotal reason why prices were high and supply scarce. According to *Random Lengths*, the export market marked the first time in seven years supplies dwindled because of more lucrative markets overseas. Both Canadian and U.S. exports to Japan and Europe broke previous highs with a whopping 12 percent of Canadian production heading overseas.

A study by the Department of Agriculture estimated that $1.8 billion of American wood products was shipped overseas in the first six months of this year, up 24 percent. The study said the softening of the U.S. dollar made the overseas markets, particularly Japan, appetizing for U.S. exports.

Buyers report record sales

Although prices were beginning to soften by mid-September, buyers were on one hand surprised by the inflating trading levels and on the other, encouraged by turns in inventory.

"We haven't seen prices this high, I guess, since the third quarter of 1983," said Andrew Eckert, president of Butz Building Materials, a four-unit chain based in the resort community of Mt. Poconos, Pa. "The last 60 days have been tight supplies and high prices. Lead times are two to four weeks out.

"So we are carrying a little more just to be on the safe side. But without question, this has been our best year [for selling lumber]."

Kurt Dallesasse, lumber buyer for Siegle Home and Building Center, Elgin, Ill., also found good lumber turns this summer, but reported the wider lengths, such as 2x10s, were expensive.

Dallesasse said the company had record sales months for five consecutive months and often had to resort to wholesalers—a practice the company frowns on—to fill in on some items as supplies in its inventory diminished.

Binney, the Kansas City independent who bought from Builders Square, said he had to contemplate that action when plywood went from $189 a thousand square feet to $222 in a matter of two weeks.

'Just-in-time' stock levels

"It got so bad at one point that we were down to just 30 sheets of ½-in CDX," Binney said. "We were operating a just-in-time inventory. It's odd because we have access to Weyerhaeuser and G-P distribution centers."

With some signs of softening in prices, Tom Olsen, lumber buyer for Ed Hines Lumber, Chicago, said the company is backing away from an earlier position of stocking heavy, and was looking to purchase for need.

"Today we are buying for need," Olsen said. "Earlier this year we were buying for inventory and were in a good position because we had a reload nearby, but prices are going down. They are not crashing, but drifting lower."

A salesman for a major Northeast wholesale operation said the company's buyers bought heavily earlier this year, to the point that some were worried that the distributor was oversupplied. But by the summer, the company itself was looking for product, said the salesman, who asked not to be named.

"We were carrying 20 to 25 percent more inventory than last year," the salesman said, "and we still ran out trying to meet our orders."

Concern over market shifts

To portray how tight the market has been in the busy Northeast, this salesman told of overhearing two retail dealers at a bar agreeing to trade items with each other because they could not get certain cedar and pine products from wholesalers.

"We think the industry could have used a little inflation," said Eckert, the president of Butz Building Materials, "But if interest rates keep going up, it will make a critical difference."

Fires shouldn't affect lumber pricing

By an NHCN staff editor

PORTLAND, Ore. — The fires that destroyed more than a half million acres of forest land in the Pacific Northwest are not expected to influence the price or supply levels of lumber.

Authorities said the fires, which have been burning intermittently since the Fourth of July weekend but were raging by Labor Day, destroyed some 630,000 acres of forest land in eight states, left three persons dead, and forced the evacuation of 8,000 people, mostly in California.

Much of the damaged land was federally owned or part of the national park system.

The hardest hit region was 100,000 acres of the Stanislaus National Forest in California, just west of Yosemite National Park. A spokesman for the Federal Bureau of Land Management in Sacramento said the state stands to lose about 375,000 acres of forest land—about the size of Rhode Island—to fire.

While California suffered the most, Washington, Oregon, Montana, Idaho, South Dakota and Wyoming also saw hundreds of thousands of forest acreage devastated by late summer infernos. Fire fighting ranks were severely thinned in many cases, prompting officials to concentrate on those fires closest to inhabited regions. Those kinds of decisions forced officials to abandon fighting a six-week-old fire in the wilderness of Idaho near the Cascade Mountains that has reportedly scorched an area the size of Manhattan.

Salvage operation next

Barry Lachter, a spokesman for Louisiana-Pacific, Portland, Ore., said about 3,000 acres of L-P's commercial forest land were damaged in California. He said it represented about 30 million board feet of lumber. Through salvage techniques the company has the chance to recover about 25 million board feet from the forest, he said.

Dick Pland, a resource manager for the Fiberboard Corporation, an L-P subsidiary based in Standard, Calif., said his crews will probably have up to 18 months to harvest the trees before they become too weak to use as framing lumber. Failure to harvest by then will mean the trees will be used for pulp, he said. Because trees do not burn through to the cores, even in the most intense fires, foresters are able to salvage timber even though the trees are dead.

Peggy O'Farrell, a spokesperson for the Weyerhaeuser Corp., Tacoma, Wash., said the company's forest land was not part of the wave of fires. However, because of the season's long drought, the company is restricting some of its logging operations as a safeguard against further fires.

Random Lengths reported that the fire has caused some small plywood operations and other mills to close. But the trading newsletter said foresters will have two to three years to salvage the killed timber, increasing the supply of douglas fir, hem fir and ponderosa pine.

Some fires were still raging in California, Oregon and Idaho in mid-September.

FINANCIAL NEWS

Cutting inventory costs can improve company's profit

Phillip M. Perry
NHCN staff editor

While there's not much consensus on methods of calculating inventory holding costs, no one doubts the importance of paring these costs as much as possible.

Behind the Numbers

For a group of 10 publicly held home center retailers, inventory accounts for a median of 38 percent of total assets.

The portion varies from 21 percent at Strober Organization to 57 percent at National Lumber.

Failure to manage properly such a large and ever-changing asset can lead to financial difficulties.

How much does it really cost to hold inventory?

The prime rate of 8.5 percent—the cost of short-term debt—represents the minimum cost of holding inventory. If a $70 million retailer has a reasonable inventory of $10 million, the annual pretax holding cost would be $850,000.

Inventory as a Portion of Total Assets
(Average Inventory Divided by Average Assets)

National Lumber	57%
Pay 'N Pak	47
General Building Products	41
The Home Depot	41
Payless Cashways	39
Lowe's	37
Scotty's	37
Wolohan	26
Hechinger	24
Strober Organization	21
Median	**38**

Source: 1986 Company reports. *NHCN* chart.

But consultants note that other costs such as inventory obsolescence (leading to shelf markdowns), labor to handle the stuff, overhead, insurance and taxes, need also be factored in and can jack up holding costs to between 20 percent and 30 percent of inventory.

They say merchandise obsolescence and shrink might come to 5 percent, labor at 4 percent, building depreciation at 2 percent and insurance plus taxes at 1 percent. (These percentages will vary widely from chain to chain, however.)

A company with $10 million in inventory, then, might well pay $2.5 million in pretax holding costs.

That comes down to $1.5 million in after-tax expense, given a 40 percent tax rate.

These are appreciable amounts. If the $70 million retailer were getting a reasonable home center net margin of 3 percent, its earnings would be $2.1 million. If all inventory carrying costs were added back, its net profit would be $3.6 million, boosting net margin to 5.1 percent.

As discussed in a previous column, retailers juggle a variety of factors to obtain favorable vendor financing (*NHCN*, Sept. 21).

Vendor financing is a mixed blessing, though, given the availability of discounts for prompt payment of merchandise retailers receive.

The retailer who takes advantage of a 2 percent discount in 10 days achieves a 36 percent annual percentage rate on the cash loaned to the vendor.

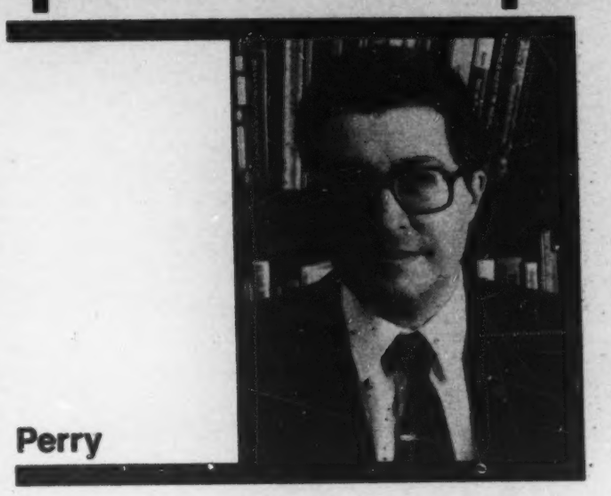
The reasoning goes like this: Standard terms call for payment within 30 days. Since the retailer pays within 10 days, the retailer is loaning the cash to the vendor for 20 days. The number 360—being a rounded days of the year—divided by 20 results in 18. Multiply that by 2 percent to get a 36 percent annual percentage rate.

Most retailers can't get that kind of return elsewhere.

The retailer can approach the problem much more aggressively by reducing the time it takes to send orders to vendors.

By using an electronic ordering system like Eagle, based in Columbus, Ohio, or the more old-fashioned facsimile machine, the retailer can cut the amount of safety stock required for the store shelf or warehouse.

Retailers using such devices report lead-time reductions averaging five days. If lead time comes to 28 days, then a five-day cut reduces safety stock by about 18 percent.


Perry

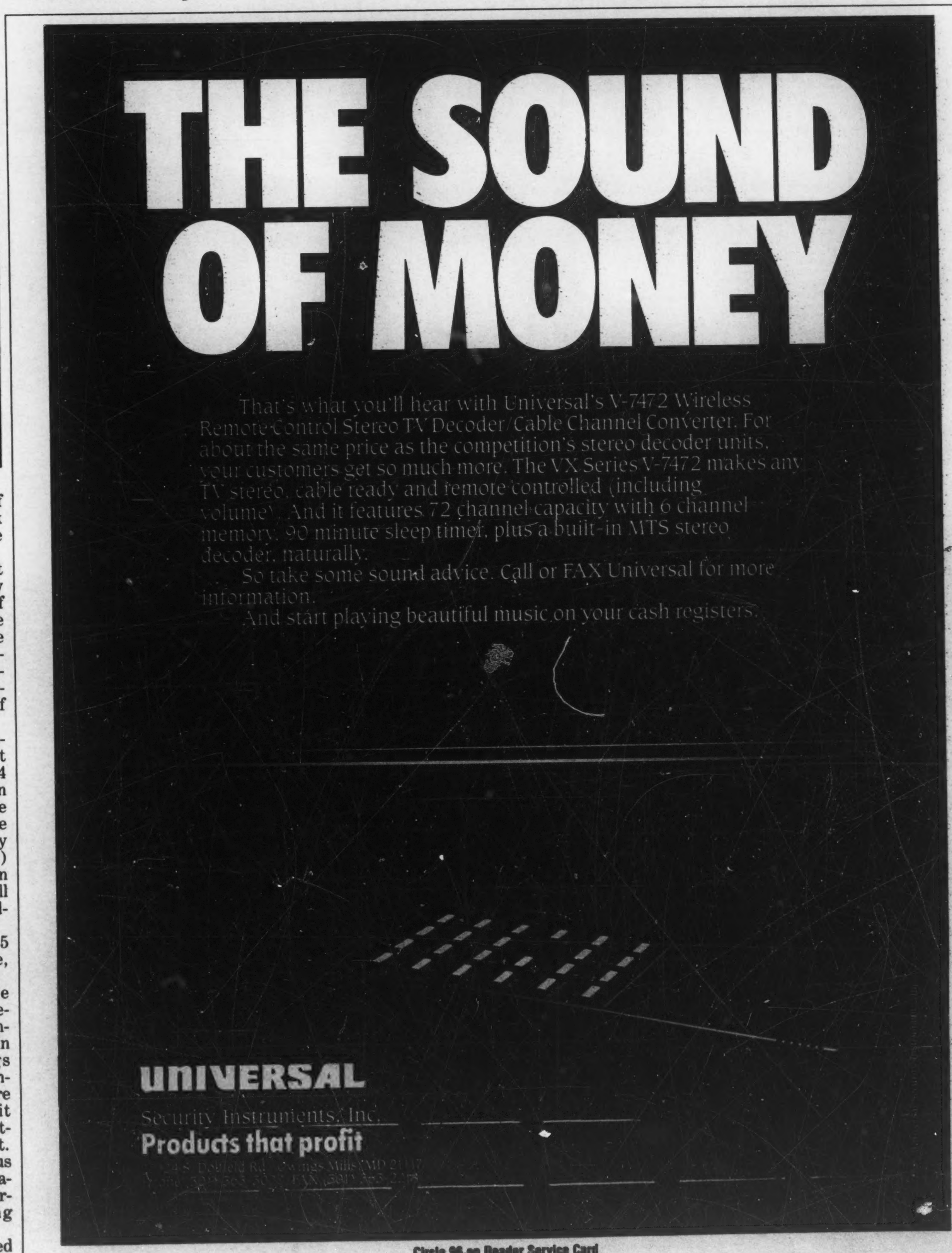
If the $70 million retailer's entire inventory is cut by 10 percent through electronic ordering, then $1 million in inventory is cut.

At a 25 percent inventory carrying cost, $250,000 in pretax earnings are gained through electronic ordering.

Added back, the $150,000 in after-tax gains would raise the net profit of that retailer to $2.3 million from $2.1 million. So net margin would be 3.2 percent of revenues, up from 3 percent without electronic ordering.

* * *

The bottom line—In a September *Nation's Business* reader poll, 75 percent of business people said the government should not mandate catastrophic health insurance for employees.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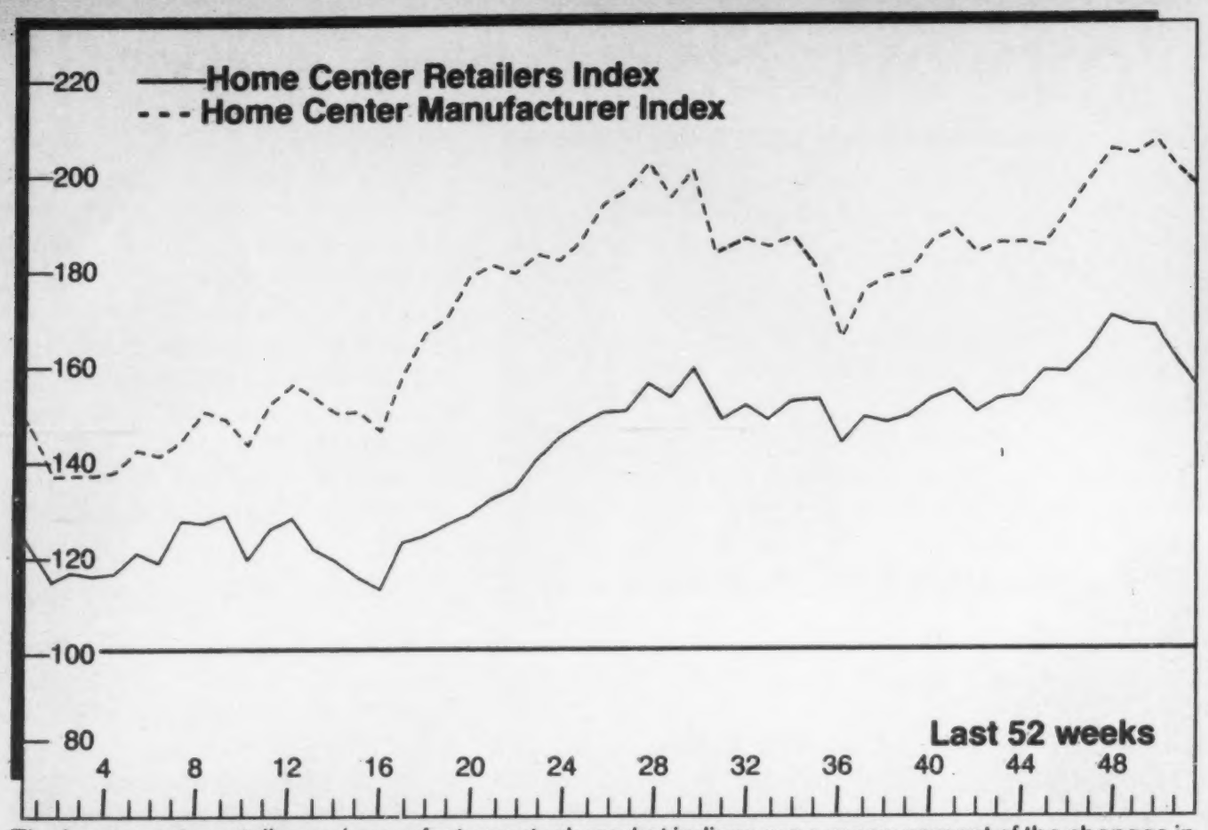
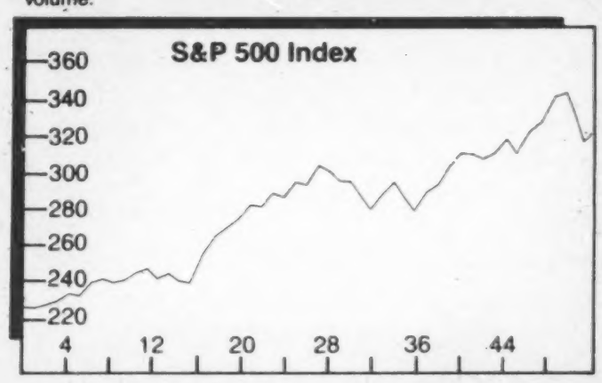


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on February 5, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
9-18-87	(100)	%	%
Gen Bldg Prods ..... M	624	147.6	- 4.7
Waxman Ind ..... M	1,851	142.1	1.1
Wickes n ..... N	17,527	139.9	-.5.3
Hechinger B ..... M	794	133.3	.0
Home Depot ..... N	13,075	124.2	- 2.2
PPG Inds ..... N	39,196	123.1	.3
USG Corp ..... N	26,756	112.6	- 10.4
Wolohan Lumber ..... M	2,913	111.5	- 7.0
Macmillan Bloedel ..... M	18,024	108.2	- 4.2
K mart Cp ..... N	63,750	91.5	- 5.3

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 9-18	2-Week Price Change	Total 2-Week Volume
9-18-87	$	%	(100)
Union Camp ..... N	43.50	6.1	14,062
La Pacific ..... N	37.38	4.9	12,907
Strober Organiz ..... M	10.75	4.9	440
Champ Intl ..... N	39.75	4.6	35,950
Zayre Corp ..... N	29.50	4.0	47,556
Stanline Inc ..... M	13.50	3.8	368
Cooper Indus ..... N	68.38	3.8	12,354
Pope & Talbot ..... N	23.13	2.2	2,285
Scotty's Inc ..... N	14.25	1.8	1,219
Triangle Ind ..... N	39.75	1.3	3,797
Losers	$	%	(100)
Am Woodmark ..... M	12.00	- 11.1	425
Payless Cash ..... N	18.25	- 11.0	12,792
USG Corp ..... N	41.13	- 10.4	26,756
Manville Cp ..... N	3.38	- 10.0	6,689
Natl Hardgoods ..... M	8.00	- 9.9	202
Wolohan Lumber ..... M	15.00	- 7.0	2,913
Owens Corn ..... N	22.38	- 6.3	13,095
Am Standard ..... N	49.25	- 6.2	5,051
Boise Cascade ..... N	77.75	- 5.5	11,027
Armstrng Wrld ..... N	39.75	- 5.4	10,590

National Home Center News

HOME CENTER MARKET SUMMARY

Stock Market

Company and Market	2-Weeks Ended 9-18-87	Price 2-Weeks Change Amt.	Price 2-Weeks Change Pct.	Price 2-Week Range High	Price 2-Week Range Low	Price 52-Week Range High	Price 52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change
-	$	$	%	$	$	$	$	(100)	%	%	%
Retailers											
Gen Bldg Prods ..... M	10.25	- .50	- 4.7	10.75	10.25	12.50	9.25	624	1.56	.63	147.6
Grossman's Inc ..... M	8.75	- .38	- 4.1	9.13	8.50	11.25	6.75	9,742	4.87	5.52	- 11.8
Hechinger A ..... M	23.75	- .25	- 1.0	24.50	23.50	26.50	16.00	8,071	7.38	6.20	19.0
Hechinger B ..... M	23.75	.00	.0	24.25	23.50	26.75	16.25	794	.49	.21	133.3
Home Depot ..... N	38.13	- .88	- 2.2	40.25	37.50	42.13	16.50	13,075	4.44	1.98	124.2
INTERCO Inc ..... N	48.38	- 2.50	- 4.9	51.00	48.38	54.00	36.63	7,498	2.62	1.51	73.5
K mart Cp ..... N	40.00	- 2.25	- 5.3	43.25	40.00	48.38	28.84	63,750	3.16	1.65	91.5
Lowe's Cos ..... N	25.38	- 1.38	- 5.1	26.63	24.88	32.75	22.50	9,265	2.34	1.29	81.4
Natl Hardgoods ..... M	8.00	- .88	- 9.9	8.50	7.50	10.00	6.88	202	1.49	1.08	38.0
Natl Lumber ..... M	5.00	.00	.0	5.50	5.00	7.50	4.00	293	.52	.35	48.6
Pay n Pak ..... N	20.63	- .25	- 1.2	20.88	20.50	21.50	10.13	251	.25	4.40	- 94.3
Payless Cash ..... N	18.25	- 2.25	- 11.0	20.75	18.25	26.88	15.88	12,792	3.69	2.14	72.4
Scotty's Inc ..... N	14.25	.25	1.8	14.88	13.25	15.88	12.00	1,219	.83	.54	53.7
Sears, Roebuck ..... N	51.63	- .63	- 1.2	54.00	51.00	59.50	39.00	61,651	1.64	1.03	59.2
Std Brd Pnt ..... N	28.25	- 1.13	- 3.8	29.50	28.00	31.88	20.50	10,283	9.22	7.39	24.8
Strober Organiz ..... M	10.75	.50	4.9	11.00	10.50	15.25	10.25	440	.72	.91	- 20.9
Supermkts Gen ..... N	37.63	- 1.38	- 3.5	39.50	37.50	46.75	22.50	3,790	.98	.67	46.3
Wickes n ..... N	18.00	- 1.00	- 5.3	19.38	17.75	25.00	15.63	17,527	3.67	1.53	139.9
Wolohan Lumber ..... M	15.00	- 1.13	- 7.0	16.25	15.00	18.75	7.63	2,913	4.97	2.35	111.5
Zayre Corp ..... N	29.50	1.13	4.0	31.75	26.50	32.88	20.75	47,556	8.18	5.09	60.7
Wholesalers											
Hughes Supply ..... N	26.75	- .38	- 1.4	27.75	26.75	30.25	20.63	326	.98	.74	32.4
Moore Handley ..... M	8.25	.00	.0	8.25	8.25	12.00	6.75	239	.96	.84	14.3
Lewis Palmer ..... M	8.75	- .13	- 1.4	8.88	8.50	9.88	7.25	1,136	2.82	2.07	36.2
Stanline Inc ..... M	13.50	.50	3.8	13.75	12.75	14.00	8.00	368	2.17	1.48	46.6
Manufacturers											
Am Consum Prods ..... M	13.50	- .50	- 3.6	14.00	13.50	14.25	8.50	592	2.85	2.65	7.5
Am Standard ..... N	49.25	- 3.25	- 6.2	52.25	48.25	55.00	38.25	5,051	1.57	1.64	- 4.3
Am Woodmark ..... M	12.00	- 1.50	- 11.1	12.88	11.63	17.13	10.50	425	.62	.37	67.6
Armstrng Wrld ..... N	39.75	- 2.25	- 5.4	42.50	39.00	47.38	25.25	10,590	2.23	1.91	16.8
Black & Decker ..... N	24.63	- .38	- 1.5	25.13	23.13	26.50	15.38	17,921	3.08	2.18	41.3
Boise Cascade ..... N	77.75	- 4.50	- 5.5	82.25	77.25	86.88	56.13	11,027	3.79	2.02	87.6
Certain-teed ..... N	41.50	- .50	- 1.2	42.38	40.88	45.75	28.25	1,749	.92	.71	29.6
Champ Intl ..... N	39.75	1.75	4.6	40.25	36.50	43.50	24.38	35,950	3.82	2.04	87.3
Clairson Intl ..... M	10.25	- .25	- 2.4	10.50	9.75	18.25	9.75	214	.42	2.67	- 84.3
Cooper Indus ..... N	68.38	2.50	3.8	69.00	63.25	71.88	37.75	12,354	2.49	1.48	68.2
DeSoto Inc ..... N	39.13	- .38	- .9	40.50	39.13	43.75	36.88	449	1.14	.74	54.1
Emhart Corp ..... N	48.38	- .50	- 1.0	50.63	47.88	52.63	30.75	5,894	1.89	1.02	85.3
Georgia Pacific ..... N	42.75	- .38	- .9	45.25	41.25	52.75	34.00	25,180	2.28	2.21	3.2
Insilco Corp ..... N	23.38	- .50	- 2.1	23.88	22.25	28.13	18.31	5,746	2.76	1.47	87.8
La Pacific ..... N	37.38	1.75	4.9	38.13	34.63	39.75	24.41	12,907	3.37	2.80	20.4
Macmillan Bloedel ..... M	20.13	- .88	- 4.2	21.13	19.75	22.38	8.50	18,024	1.77	.85	108.2
Manville Cp ..... N	3.38	- .38	- 10.0	3.75	3.00	5.38	1.63	6,689	2.79	2.90	- 3.8
Masco Corp ..... N	33.88	- 1.13	- 3.2	35.25	32.50	40.88	23.50	20,908	1.58	1.04	51.9
Mor-Flo Inds ..... M	10.75	- .50	- 4.4	11.00	10.50	14.38	10.50	75	.30	.26	15.4
Newell Co ..... N	40.38	.25	.6	41.25	39.25	43.00	24.38	1,062	.93	1.21	- 23.1
Nortek Inc ..... N	12.75	- .38	- 2.9	13.75	12.25	17.38	11.75	4,024	2.48	1.30	90.8
Owens Corn ..... N	22.38	- 1.50	- 6.3	24.75	22.25	32.38	8.88	13,095	3.49	3.34	4.5
Ply-Gem ..... A	16.25	- .63	- 3.7	16.88	15.13	18.13	10.00	1,271	1.14	1.02	11.8
Pope & Talbot ..... N	23.13	.50	2.2	24.50	20.50	27.25	9.81	2,285	1.90	1.32	43.9
Potlatch Cp ..... N	35.13	.38	1.1	36.00	33.00	41.88	26.25	4,360	1.63	1.00	63.0
PPG Inds ..... N	46.13	.13	.3	47.13	43.13	53.50	31.75	39,196	3.28	1.47	123.1
Sherwin-Wms ..... N	32.25	- .50	- 1.5	33.38	31.88	38.50	22.75	8,362	1.88	1.13	-66.4
Stanley Works ..... N	34.25	.00	.0	35.00	32.25	36.63	24.13	3,276	.77	.56	37.5
Thos Inds ..... N	20.88	- .63	- 2.9	21.50	20.63	22.63	15.50	658	.66	.44	50.0
Triangle Ind ..... N	39.75	.50	1.3	40.63	38.25	44.00	23.75	3,797	1.57	1.57	.0
Union Camp ..... N	43.50	2.50	6.1	44.13	40.38	48.19	33.69	14,062	1.91	1.47	29.9
USG Corp ..... N	41.13	- 4.75	- 10.4	45.75	40.63	47.38	31.00	26,756	5.23	2.46	112.6
Walter, Jim ..... N	59.75	- .25	- .4	59.88	59.63	62.38	32.41	27,231	6.86	6.02	14.0
Waxman Ind ..... M	11.75	.13	1.1	12.13	11.38	13.25	6.34	1,851	2.93	1.21	142.1
Weyerhaeuser ..... N	51.25	- 1.69	- 3.1	52.75	50.25	60.00	33.75	42,745	3.16	1.90	-66.3

Financial Update

Company and Market	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																		
Gen Bldg Prods ..... M	13.7	.00	.0	.....	6 mos.	05-87	16.9	16.6	.7	40.0	.20	11.1	29.8	24.7	1.0	66.7	.29	38.1
Grossman's Inc ..... M	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A ..... M	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	21.4	.06	.3	.....	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot ..... N	28.2	.02	.1	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.50	78.6	715.4	47.2	28.4	130.9	.93	93.8
INTERCO Inc ..... N	14.7	1.60	3.3	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp ..... N	12.5	1.16	2.9	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos ..... N	17.4	.44	1.7	.....	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods ..... M	10.4	.00a	.0	NEW	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0
Natl Lumber ..... M	NE	.00	.0	NEW	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak ..... N	26.4	.40	1.9	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash ..... N	14.4	.16	.9	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc ..... N	20.1	.52	3.6	.....	fiscal	06-87	136.4	1.3	3.3	- 13.2	.23	- 11.5	515.3	4.3	10.3	- 23.7	.71	- 23.7
Sears, Roebuck ..... N	12.6	2.00	3.9	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt ..... N	20.5	.60	2.1	NEW	6 mos.	07-87	92.4	3.6	5.3	10.4	.48	14.3	171.8	2.9	8.4	3.7	.76	7.0
Strober Organiz ..... M	11.4	.00	.0	.....	6 mos.	06-87	26.3		1.6		.26		47.6		2.6		.43	
Supermkts Gen ..... N	34.2	.31	.8	NEW	6 mos.	07-87	1471.3	.8.1	3.5	- 82.4	.09	- 82.7	2872.4	6.4	13.9	- 56.8	.36	- 58.1
Wickes n ..... N	6.2	.00	.0	NEW	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	- 15.4	2994.3	42.1	110.1	201.6	2.25	200.0
Wolohan Lumber ..... M	12.2	.20	1.3	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp ..... N	10.6	.40	1.4	.....	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																		
Hughes Supply ..... N	11.7	.40	1.5	.....	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley ..... M	18.8	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer ..... M	23.6	.28	3.2	.....	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc ..... M	12.2	.32b	2.4	NEW	9 mos.	07-87	15.7	- 4.3	.5	.0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1
Manufacturers																		
Am Consum Prods ..... M	20.1	.00	.0	.....	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard ..... N	13.2	1.80	3.7	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark ..... M	13.3	.00	.0	.....	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld ..... N	13.7	.90	2.3	.....	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker ..... N	34.2	.40	1.6	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade ..... N	20.0	1.90	2.4	.....	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1846.2	.2	75.4	33.9	2.47	30.0
Certain-teed ..... N	13.2	1.00	2.4	.....	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl ..... N	11.0	.80	2.0	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl ..... M	23.8	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus ..... N	21.2	1.68	2.5	.....	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	- 16.8	1.47	14.0
DeSoto Inc ..... N	25.1	1.40	3.6	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp ..... N	NM	1.60	3.3	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.92	29.6	1231.6	18.7	56.8	42.0	1.82	30.9
Georgia Pacific ..... N	11.5	1.00	2.3	.....	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp ..... N	14.8	1.00b	4.3	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific ..... N	15.4	.80b	2.1	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel ..... M	NA	.68	NA	.....	6 mos.	06-87	606.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp ..... N	.8	.00	.0	.....	6 mos.	06-87	517.9	5.6	41.1	- 63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp ..... N	19.6	.40	1.2	.....	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds ..... M	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co ..... N	17.4	.84	2.1	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc ..... N	10.3	.10	.8	.....	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn ..... N	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	16.8	.12	.7	.....	6 mos.	06-87	82.1	38.9	3.8	58.3	.32	6.7	152.7	39.2	7.1	61.4	.61	8.9
Pope & Talbot ..... N	10.5	.44	1.9	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.8	37.5	13.9	348.4	1.15	342.3
Potlatch Cp ..... N	12.8	.84	2.4	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds ..... N	16.0	1.08	2.3	.....	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms ..... N	13.4	.56	1.7	.....	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works ..... N	17.1	.88	2.6	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds ..... N	14.9	.68b	3.3	.....	6 mos	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind ..... N	15.8	.12	.3	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp ..... N	18.7	1.16	2.7	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp ..... N	9.4	1.12	2.7	.....	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim ..... N	17.1	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind ..... M	19.6	.10	.9	.....	fiscal	06-87	32.4	17.0	1.3	30.0	.20	- 37.5	117.1	19.7	3.8	35.7	.60	- 33.3
Weyerhaeuser ..... N	20.3	1.30	2.5	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Dealers place increasing emphasis on stockout problem

(Continued from page 1)
his $6 million store are missing, he passes the report to his merchandise manager.

"Then we go to work on the vendors," he said.

Cole, who has increased his in-stock position from 75 percent four years ago to 94.6 percent today, is not alone in his interest in stockouts.

"When you come down to it, the greatest service you can offer is to have what people want to buy," said Dennis W. Stults, president of Scotty's, the $515 million chain based in Winter Haven, Fla.

"Stockouts represent the largest portion of any sales that are lost to a company."

A more demanding market has forced home centers to trim inventories to the bone.

Consequently, the number of stockouts—and resulting customer disappointments—has grown. Such disappointments can lead to lost sales that defeat the very profitability efficient stock management was supposed to foster.

"As we move toward more project management and more time pressure on the part of shoppers, if you fail to have what they need you may lose more than the sale," said Bob Swanson, senior vp-merchandising for Lowe's, North Wilkesboro, N.C. "You may lose the customer."

Yet, for a company like the 311-store Lowe's, a never-out-of-stock position for more than 15,000 skus would require an enormous additional investment in inventory. "You can't be in stock 100 percent of the time," said Swanson. "Your return on investment would be too low."

To decide which items it needs to be in-stock on, Lowe's designed its own computer program which tracks for each sku such conditions as when-in-stocks, sales rates, project tie-ins and replenishment.

The computer estimates lost sales that result from stockouts. From these and other factors the computer runs through complex calculations to determine optimum stock levels for each sku.

To each sku Lowe's assigns a predetermined service level, which it defines as lost sales (as calculated by the computer) divided by the potential sales represented by in-stock positions.

A certain group of skus are assigned as "never-out" items, but these do not represent a broad list, according to Swanson. "They are frequently purchased and related to larger project sales."

In April, Scotty's named Dick Fleming to the newly created position of retail inventory control manager. And over the past year the chain has been experimenting with a perpetual inventory system which is now in 17 stores and slated for a chainwide rollout.

Already, the stores on line have experienced fewer stockouts as a result of the system.

"We're not working just on gut feeling any more," said Fleming.

But for smaller dealers with no mainframe computers, optimum inventory levels are often calculated intuitively. In the real world, that can mean solving an out-of-stock situation for one item, only to see another problem develop elsewhere in the store.

Tinkering with lead times

Home centers such as Pyles, Avondale, Pa., find themselves constantly tinkering with lead times for various skus. While it's worked at Pyles—where turns have increased 44 percent to 5.6 times annually at the $4 million store through greater attention to sku movement—it's no secret constant attention must be paid to inventory levels.

"It's like turning a battleship," said H&H's Cole about inventory control. "Even if you know where it's supposed to go, it's hard to do."

Industry lines up to reap Olympic benefits

(Continued from page 1)
And potential sponsors voice little anxiety over the Summer Games being held in Seoul, South Korea, where political and labor unrest have reigned all summer.

The winter Olympics will be held in Canada February 13-28, 1988. The summer Olympics will be held in Seoul September 17 through October 2.

K mart is spending more money on Olympics-related advertising—some $30 million—than on any other single event of the year.

"The Olympics offers us an opportunity that comes around once every four years," said national advertising director Gerald Habeck.

However, the price for sponsoring the Olympics has increased "considerably" since 1984, according to Habeck. So, K mart opted not to be a full sponsor of the Olympics this year, a change from previous Olympics.

The majority of K mart's spending is for media advertising. A part of that total is for official sponsorship of the U.S. hockey team.

The U.S. Olympic Committee has raised $80 million to date from some 20 corporations, according to Philip Maher, editor of *Sports Marketing News*, Westport, Conn.

Maher said full sponsorship in the U.S. can cost from $500,000 to several million dollars, depending on the level of company commitment.

The price is even higher for worldwide sponsorship, which allows the corporation to utilize the Olympic rings in its advertising. 3M, for example, spent about $10 million for a worldwide sponsorship.

"It takes a small fortune to get involved," said George R. Thompson III, spokesman for Briggs & Stratton, the Milwaukee-based engine supplier sponsoring both the winter and summer games for the first time.

"We've been getting hundreds of calls and letters since October, when we first announced our sponsorship," said Thompson. "There's a whole Olympics cult out there.

"The No. 1 advantage is that studies have shown the public does tend to gravitate toward products of companies sponsoring the Olympics," Thompson said. ABC television said that 180 million Americans viewed the 1984 Olympics.

While Thompson acknowledged the possibility that political upheavals in Korea might lead to a boycott similar to that which occurred in the Soviet Union in 1980, he took a hopeful stance.

"All we can say is that we support the U.S. Olympic Committee," noted Thompson. "We know there is the possibility of political problems in Korea, but we are hoping for the best."

"Most sponsors don't seem to be too worried," said Maher of *Sports Marketing News*. "The smart ones promote the thing throughout the year, so whether or not the Olympics takes place is an anticlimax."

One retailer that backed off because of the sponsorship cost was Revelstoke, the $140 million company in Calgary.

Executive vp Gordon Roberts said that while the price was too steepe for Revelstoke, a lot of its employees are involved in the volunteer committees. Roberts himself is active in the clothing committee, responsible for selecting the official uniform for some 10,000 area volunteers working many of the events.

Farm chain opts for DIY with 6 units

(Continued from page 1)
gated to just a few aisles to make room for window, door and building material displays brought in two years ago.

Like the Fort Wayne store, the $15.8 million chain's remodeling consisted of installing vinyl flooring, refiguring displays into a racetrack, lowering gondolas to four feet from eight, and putting in signage for each department.

The newest Big R, Fleet Family's seventh, will open next month in Peru, Ind., north of Kokomo. "We're catering to the weekend handyman now," said Barbara Barnes, a former CPA and now assistant manager of the Fort Wayne store. In addition to its 32,000-square-foot inside retail area, it has three large lumber and building materials sheds outside.

What sets Big R apart, both explained, was a greater selection than just lumber and building materials.

"You can go down to Builders Square and find lumber, but you can't find toys or housewares," said Barnes.

Indeed, the average 30,000 stockkeeping-unit inventory offers an assortment of non-traditional home center goods like gas-powered go-karts, saddles and metal riding tractors for kids. While Big R used to carry just farm clothing, it has expanded its line to include fashion clothing.

But the units still carry plow shears and planter bearings because "we're stocking everything our customer needs," said Dawson.

For the grand reopenings, which ended during the summer, the chain used TV advertising for the first time. Dawson said the TV campaign was most successful in markets like Fort Wayne that have local stations with lower rates and better-defined audience targets.

Like many of the other farm fleet operations, Big R's best selling department remains automotive, with the traditional strong movers being tires and batteries. Home improvement products comprise the next largest sales category, followed by hardware and seasonals.

HQ Whse. targets $15M from 1.25M share offering

(Continued from page 5)
control of the firm by current management, HQ established two classes of common stock. Holders of Class A shares have voting power for 25 percent of the board of directors. Holders of Class B common stock vote for the remainder.

Grace owns 24.2 percent of the Class B stock. That percentage will not change after the offering.

When the offering is completed, the current executive officers and directors as a group (including shares owned by Grace) will retain 90.7 percent of the aggregate voting power of the company.

Dan Wewer, an analyst for Robinson Humphrey, Atlanta, thought the offering made sense from the strategic point of view, since the cash would allow HQ to undertake the expansion that will facilitate the desired volume of sales.

"The key to making the warehouse formula work is to make the volume," he said.

Home Quarters At a Glance

Six-month revenues*	$42,904,159
Six-month earnings*	$770,644
Gross margin*	25.4%
Net margin*	1.8%
Number of stores	7
Weekly sales per store**	$398,443
Store expansion by Jan. 1989	5
Total assets	$30,910,454
Number of employees	928
Merchandise purchased direct	90%
Stockkeeping units	25,000
States of operation	Va., S.C., N.C., Fla.

*For six months ended July 26.
**Weighted.
Source: HQ Warehouse preliminary prospectus. NHCN chart.

Retailers report strong 2nd quarter sales gains

(Continued from page 5)
any effect."

"What we have is momentum growing from homeowners with both the desire and discretionary income to remodel their homes," said Jim Phillips, vp-national accounts of USG Corp., Chicago.

Independents noted that commodities sales paved the way to higher second quarter sales and healthier margins.

Terry Mullin, president of the Terry Companies, Tarzana, Calif., said that, based on sales to both contractor and consumer, the third quarter stands to be the best in his company's history.

He was concerned that 1988 may slow down by mid-year.

Dave Gregory, advertising director of Star Lumber, Wichita, Kan., said despite the unsettling specter of Builders Square moving to town last May, the company still chalked up a 5 percent sales gain over last year, much of which was stimulated by the deck and fencing promotions.

In Fort Lauderdale, Fla., Scott Whiddon, director of sales for Causeway Lumber, said consolidating two company yards into one operation improved management efficiencies and helped expand sales. Whiddon added that contractor lumber sales were particularly strong.

Harlan Hummel, executive vp of the National Lumber & Building Materials Dealers Association said the consensus among affiliated member groups was that most member yards had upbeat second quarters and were positive about the rest of the year.

"Some dealers have been telling us that they are making money for the first time in four or five years," Hummel said.

Payless tops list of industry TV ad spenders

(Continued from page 6)
however, that TV advertising does not consume a bigger percentage of its budget.

Stanley Berman, executive vp-administration for Grossman's, said his chain's 190 percent increase in TV spending was due to expanding its market reach.

A Wickes Cos. spokesperson pointed out that the figures referred to by TvB relate specifically to Builders Emporium, but couldn't comment on the decrease.

Pay 'N Pak, Kent, Wash., showed a 20 percent increase which Dick Friel, vp-marketing, attributed to competitive conditions. "This dictates our promotions."

Bob Fant, Scotty's director of advertising and public relations said that his chain's 36 percent increase was due in large part to a chainwide institutional campaign.

Manufacturers sell programs with new package designs

(Continued from page 1)
increasingly important as the cost of advertising soars.

"The package has to work as an advertising tool," he says.

Rick Noel, the hardlines buyer for Scotty's in Winter Haven, Fla., says that "almost without exception the [packaging] changes have been for the better."

Since a redesign can take a year and cost at least $100,000, manufacturers say it needs to work well.

At American Standard in New Brunswick, N.J., new faucet packaging with three photographs illustrating installation replaces packages that had "all these numbers and letters and diagrams," says Bob Robison, manager of the consumer sales.

When Durabond began its repackaging effort in early 1986, it found "that consumers didn't understand what product to use for what job," says Paul Muenzen, national sales manager for the Durabond Division of USG in Chicago.

The redesigned package clearly identifies each product, its use and gives instructions for use. Manufacturers and marketing strategists say the move toward more package information has been fueled by home centers' self-service environment.

"There are fewer salespeople in the stores to answer questions," Vogler says. "So the package has to do more."

Steve Ostrolenk, vp-marketing services for Universal-Rundle, New Castle, Pa., noted that a byproduct of his company's new good-better-best packaging was that it also helped to encourage consumers to trade up.

U-R is also one of many companies with colorful, redesigned displays which complement new packaging.

Emhart, for instance, has a 24-foot, color-coded display of all its products, with specially designed headers.

Musket admits that "very few of our customers would put 24 feet of our products in their stores," but said Emhart designed the system to be used in modules, to maintain the family idea even if the full display isn't used.

Greg Fuller, merchandise manager for All-American Home Center in Downey, Calif., says his store looks for large displays to reinforce category dominance. But he thought smaller stores wouldn't be able to handle large displays.

So like other nanufacturers, Emhart has also decreased its average package size, to get more product into less shelf space.

"We are certainly not trying to be another Beatrice, with our name on everything from nuts to luggage," says Emhart's Musket. "But we feel we have a value in our name and we want to promote it."

Overseas tool makers mfg. in U.S

(Continued from page 6)
ing in the U.S. anyway."

Echo Power Equipment is in the same boat, so to speak. The Japan-based company has sold outdoor power equipment here for 17 years, said its president Don Bartelt.

Now, Echo has decided to speed up plans to build a manufacturing facility in Lake Zurich, Ill.

Without this expansion, "We would have had to raise prices substantially which would have reduced the market, or walk away from the market," Bartelt explained.

About a year ago, Makita, another Japanese-based power tool firm, made the same decision and purchased 80 acres in Buford, Ga., said Pat Griffin, assistant vp-sales and development for Makita USA, Cerritos, Calif.

Up for a year, it will take three years before the plant is producing over 30 percent of the unit volume for the United States.

Retailers, however, claim that it's not crucial for manufacturers to make products domestically as long as they have distribution.

Ernie Payton, tool department buyer for Crissey Fowler Lumber Co., Colorado Springs, Colo., acknowledged "there is no difference" between a foreign company with domestic distribution and an American company.

Executives from Highland Lumber and Supplies, a $5 million HighIndiana independent; All American Home Center, Downey, Calif.; and the 34-unit Lloyd Home and Building Supply, Danbury, Conn., shared this view.

However, foreign companies with U.S. plants will now be able to get business from dealers like Wolohan Lumber, the 35-unit Saginaw, Mich., chain which "only buy[s] from domestic makers," said buyer Tom Fleischmann.

U.S. manufacturing, though, doesn't always turn out to be the best answer. The West German AEG Power Tool Corp. made a "full contingent of electric power tools" in a plant in New London, Conn., in the early 1960s. About 10 years later, the company stopped and turned the plant into a DC, according to spokesman James Frawley.

Investment may spur Scotty's profit

(continued from page 7)
which has slumbered for the past three years while waiting for results that show the company can compete profitably.

The stock has languished at under $16 per share this calendar year, down from a high of $18.10 in 1986 and a historic $27.50 level in 1983.

Some of the reluctance on the part of outsiders has to do with the reality that new Florida competition has softened sales increases at Scotty's. Total revenues went up only 4.3 percent last year. Comparable store sales rose 4 percent.

Over the past five years, the arrival of 34 warehouse stores with about 4 million square feet of selling space, and Scotty's adding 1.6 million square feet to its own chain, have created a retail market outside of Dade County that is 600,000 square feet larger than the entire 5 million-square-foot Scotty's chain itself.

Now, Stults wants to pump some steam into store sales. "We have definite plans to grow the assortments of stockkeeping units," he said.

At its full-line stores, sku counts are slated to grow to 20,000 over the next three years, from the current level of 16,000 and 7,000 in 1982. And at the smaller hardware stores, 1,000 to 1,500 more skus are scheduled to be added to the 10,000 skus currently on the shelves.

For all stores, plumbing, electricals and automotives will get new lines. Live plants will be increased at the home centers.

By the end of this fiscal year, the company expects to add 26 units to a total of 167: six new home centers for a total of 117 (seven others will be replaced), and from 15 to 20 hardware stores for a total of between 43 and 48.

"We're satisfied with the new formats," Stults said. "We feel they represent a viable approach to help the company expand."

HWI's Wolf is honored for 4 decades of growth

(continued from page 7)
over to the business, flying or driving to conventions and store openings, or giving speeches to dealer groups.

His son Rick recalled eagerly waiting for his father to return from trips and searching for presents in his luggage. Today, at 29, "I have a family, and understand how much he wanted to spend time with the family. I have a lot more admiration for him now," Rick said.

The significance of family is something Wolf relates to personally, as his parents died when he was in grade school, and he was brought up by his older brother and sister.

It's not surprising, then, that Wolf has been a longtime member of the National Big Brothers/Big Sisters organizations. In the late 1970s, he headed its national board.

"I'm convinced business people have to put back into the communities in which they operate," said Wolf, who spoke about "plowing back quality time" into civic, church and community affairs once he retires.

But that's a ways off, and it will be hard for some people to imagine Wolf not being connected with the co-op.

A born tinkerer who worked in a garage before coming to HWI, Wolf and others built the wooden shelves for merchandise at the co-op's first 30,000-square-foot DC.

And over the years, Wolf has built up relationships with his employees, who speak fondly of his sense of humor.

But all things end and Wolf seems ready for life after HWI. He'll still tinker with his old John Deere tractors and the 1931 Ford Coupe. He'll jog a bit in the evening, chop wood and play golf.

And he will still plant, sow and sell the wheat, beans and corn he's raised for years on a small farm. Always the entrepreneur, he's already expects to plant more to supply friends asking to share his harvest.

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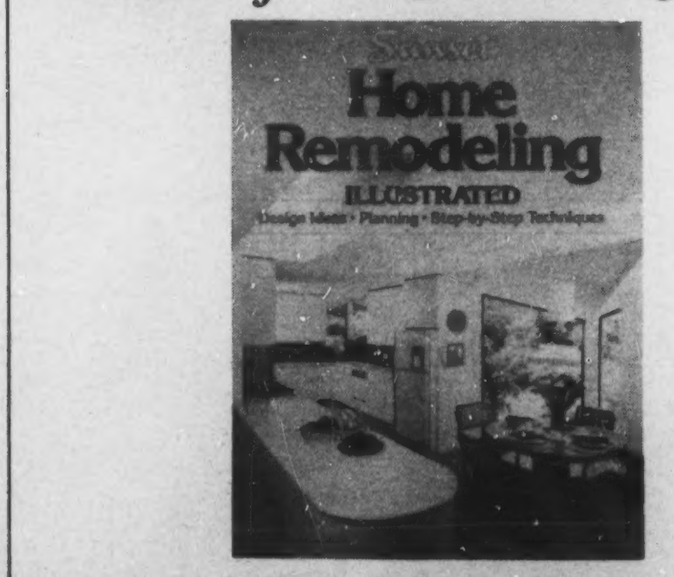
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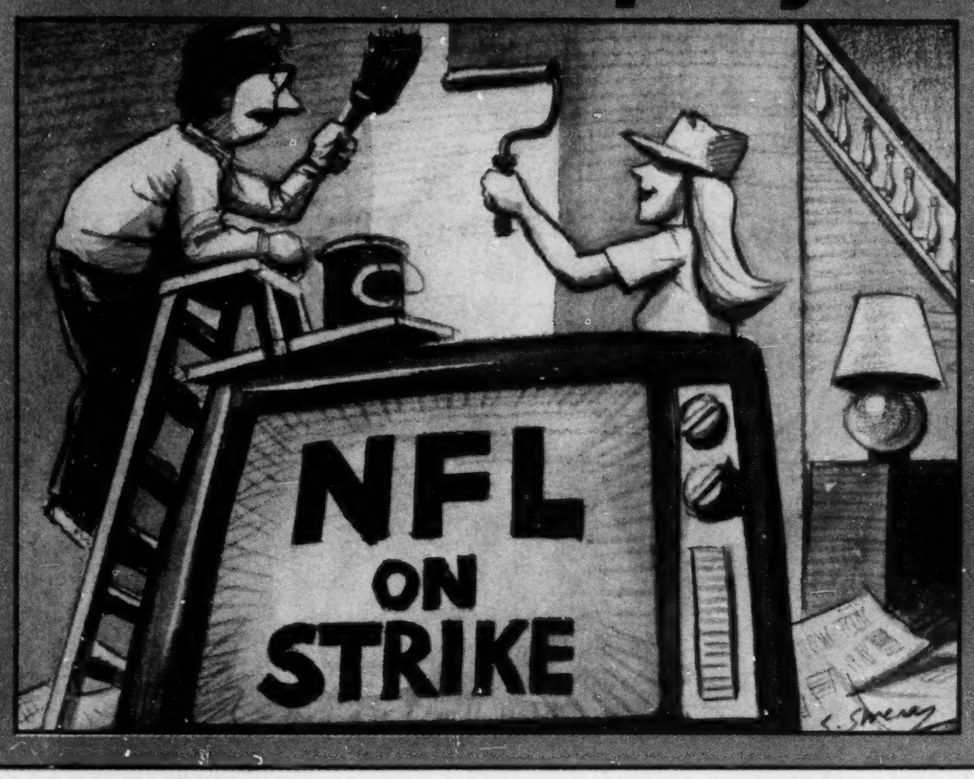
Fans flock to stores while NFL players strike



By Ariane Sains
NHCN staff editor

NATIONAL REPORT — Ordinarily, Chicagoan Vicki McNulty breezes in and out of her local Builders Square on Sunday afternoons in the fall.

But on a recent trip, McNulty found the store mobbed and waited 45 minutes to check out.

"There were no football games to watch," said McNulty, communications manager for Skil. "I guess everybody decided to work on their house. There's no excuse on Sunday anymore."

(Continued on page 71)

Sears develops new group for specialty paint chain growth

By John Caulfield
NHCN staff editor

CHICAGO — Sears reinforced its commitment to expanding its Paint & Hardware specialty chain last month when its merchandising group formed a national division to direct that chain's growth.

It expects to have another 73 stores up and running by the end of next year. Currently, Sears operates 67 P&H units in 17 states, with 10 in Chicago, as well as stores in the suburbs of St. Louis, Mo.; Washington D.C.; Providence, R.I.; Detroit; Minneapolis-St. Paul, Minn.; Denver; and Milwaukee.

Part of its latest growth will include experimenting with inner city P&H stores, including a few in Chicago.

Leading this expansion drive will be Jerry T. Post, whom Sears promoted to national manager of the P&H stores. The 42-year-old Post was national merchandise manager of Sears' sports/fitness center buying department since 1984. Previously, he was group national retail marketing manager for Sears' $4 billion home improvement department.

Post will report to senior executive vp-field G. Joseph Reddington, who indicated that the new national P&H department will autonomously

(Continued on page 72)

Lloyd team combats its operating losses

By Elizabeth Brent
NHCN staff editor

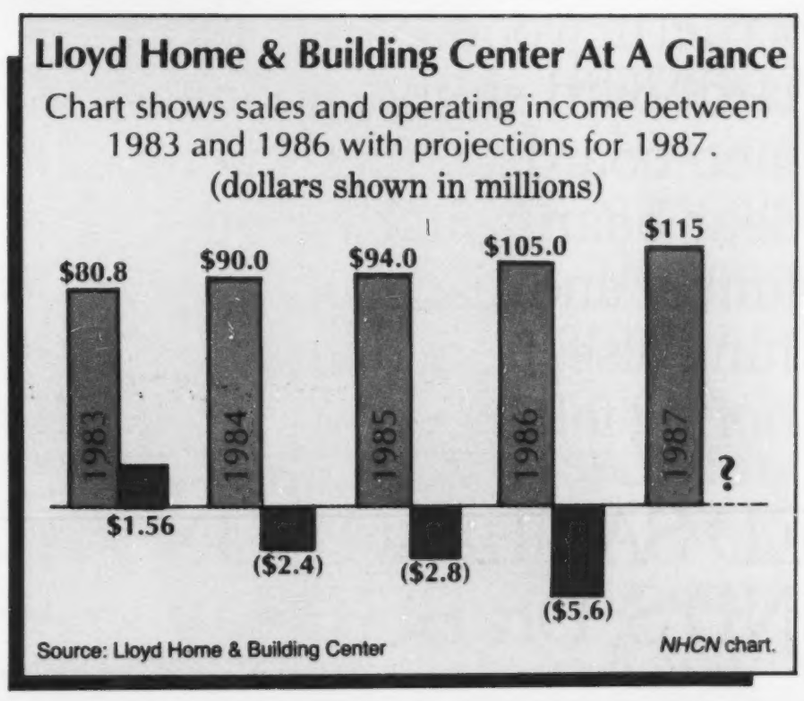
DANBURY, Conn. — With the addition of Michael Lewis as vp-merchandising and advertising, Lloyd Home & Building Centers' president Tom Cawley now has a management team in place to help end the chain's three-year run of operating losses.

Lewis, 43, joined Lloyd Sept. 28 after 10 years at Channel Home Centers as divisional merchandise manager. Prior to that, he spent eight years as a buyer at Rickel Home Centers.

Lewis is the third executive Cawley has brought on board since he became president of the 34-unit chain in February. Bert Tobin, formerly with Macy's at Danbury's Fayre Mall, was appointed vp-personnel in May, and Jerry Morgasen, former senior vp for Caldor's, was appointed Lloyd's vp-operations in July.

"We've now got the team in place

(Continued on page 70)



So. Calif. earthquake rocks local retailers

By Brad Altman
NHCN staff editor

LOS ANGELES — The devastation caused by an Oct. 1 earthquake in Southern California resulted in at least $15,000 in damages to All American Home Center in Downey and forced the temporary closing of one Home Depot and two National Lumber outlets located near the quake's epicenter.

No home centers reported any injuries resulting from the 7:42 a.m. tremblor, which registered a magnitude of 6.1 on the Richter scale.

In the aftermath of the quake—the third largest to hit Southern California in the last 50 years and the most damaging since 1971—home center retailers reported brisk sales as customers jammed stores to buy plywood, plumbing fittings, flashlights and other items related to earthquake

(Continued on page 70)

Wyeth stymies rumors of imminent demise

Max Wyeth

By Gary S. Ruderman
NHCN staff editor

The reports of my death are greatly exaggerated.
—Mark Twain, 1897

ST. JOSEPH, Mo. — Ninety years later, Max Wyeth says the same thing about his company.

The president of Wyeth Co. has been hearing about the imminent demise of his hardware distributorship since January, as the industry is still paranoid from the liquidation of Belknap and the Chapter 11 reorganizations of The George Worthington Co. and S&T Hardware.

A charter member of the Liberty Distributor wholesaler organization, Wyeth has 2,500 accounts in 12 states. But over the last two years, the company has suffered one setback after another: earnings losses, annual sales that have fallen to an estimated $35 million this year from $50 million in 1985, the failure of the bank supplying its line of unsecured credit and the souring of overly aggressive expansion into Texas.

Throughout 1987, rumors flew all over the place about Wyeth, to the point where many felt it was on the verge of bankruptcy last month.

Those rumors hurt William "Max" Wyeth IV, 36, the fifth generation president of the firm which stocked the Pony

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Associations fill gap with new training options 30

Retailers still not sure flooring is DIY project 34

Masonite goes after repair and remodel market 40

NEWSBREAKS

STROBER TO BUY INDEPENDENT: The nine-store chain said it will pay $22 million for three-unit General Building Supply, East Hartford, Conn., with sales of $43 million.

USG AND ZAYRE TAKEOVER CANDIDATES: The Chicago-based building products supplier is the prey of two Texas millionaires who have bought 9.83 percent of its stock. The Framingham, Mass., retailer is being pursued by developer Edward deBartolo Jr., whose holdings now total more than $15 million.

INDUSTRY UPDATE

Creditors divide HOME assets

CORAL SPRINGS, Fla. — A creditors committee convened for the first time to negotiate the disposition of assets of Home Owners Outlet Mall Exchange (HOME), the home improvement shopping mall operation that filed a Chapter 7 bankruptcy petition to liquidate.

Howard Alabaster, HOME's attorney who filed the petition in early August, said representatives of some of the top 20 largest unsecured creditors met to review HOME's financial status Oct. 2.

Last August, the company filed for liquidation, listing liabilities of $2.2 million and assets of $815,000.

At the same time, some investors who contributed $806,000 in a private placement earlier this year said they are angry that company management refuses to explain how the financing was spent and disturbed that Walter Bozdech, founder of the firm, refuses to respond to their inquiries.

As a result, Mel Grebler, a manufacturer's representative who was one of many investors, said his colleagues are awaiting the appointment of a creditors' trustee before deciding if possible civil action against Bozdech is merited.

American now called ServiStar

BUTLER, Pa. — American Hardware Supply Co. is changing its corporate name to ServiStar Corporation. Since 1976, "ServiStar" has been the retail identity by which the nation's fourth largest buying group has been known. It's the first change in American's 77-year history.

The name change, effective July 1, 1988, was announced at American's six-day Fall Market last month by company president Larry Zehfuss, who said the name American Hardware Supply "no longer adequately describes our business. We are a hardware distributor, lumber and building materials supplier and a full-service, member-owned company specializing in retail sell-through."

Builderama adds two S.C. units

SAVANNAH, Ga. — Builderama opened stores in North Augusta and Aiken, S.C., Oct. 15, bringing the chain total to nine retail and two contractor units.

Both locations are new structures with 30,600 square feet of retail space plus a 10,000-square-foot lawn and garden area. Each store will have 40 employees.

Ziegler celebrates ninth unit

VANCOUVER, Wash. — A grand opening was held Sept. 28 for Ziegler Lumber Co.'s ninth unit, a former 84 Lumber outlet north of Portland, Ore.

Reid Ziegler, executive vp of the Spokane, Wash.-headquartered chain with stores in eastern Washington and Idaho, said the Vancouver facility consists of an 18,000-square-foot showroom plus outside sheds.

PGL quarter revenues up, net off

AUBURN, Wash. — Palmer G. Lewis reported revenues of $58 million for the quarter that ended July 31, up by 24.5 percent from the same quarter in 1986. Net earnings fell 19.5 percent to $383,753.

Gross margin came to 15.7 percent for the second quarter, a drop from 16.7 percent in the second quarter of 1986.

The company added that it would repurchase 250,000 shares of its common stock over the next year in an effort to keep the number of shares outstanding under 4 million.

Home center stocks recover

NEW YORK — Many home center and vendor stocks experienced some relief from their recent price slump during the two weeks that ended Oct. 2.

Of the stocks tracked by *NHCN*, 35 increased in price, while five stayed the same. Nineteen stocks declined.

Strober Organization increased by 15.1 percent to $12.38. Scotty's went up 5.3 percent to $15.00.

National Hardgoods Distributors dropped by 9.4 percent to $7.25. Hechinger A dropped 4.2 percent to $22.75.

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Hechinger's exec. vp Mansfield to retire after 18 years with firm

By an NHCN staff editor

LANDOVER, Md. — Philip J. Mansfield will step down as executive vp for Hechinger Co. here effective Dec. 31, ending an 18-year career with the retailer.

Mansfield's successor has not been named, although the chain announced that his duties "would be reassigned to senior executives currently serving the company." The most likely candidate—senior vp and general merchandise manager Sally Courtney—is now reporting directly to company president John Hechinger Jr.

"The years I've spent with Hechinger have been an experience of a lifetime," said the 60-year-old Mansfield during a telephone interview with *NHCN* on Oct. 5. He has essentially left his day-to-day responsibilities already but will keep his office "for another couple of years" as a consultant with the chain.

Philip J. Mansfield

Mansfield said he would concentrate primarily on "strategic planning," although merchandising and operations could also be part of his consulting responsibilities.

His decision to leave Hechinger was made more than a year ago, he said, with the knowledge of co-chairmen John Hechinger Sr. and Richard England. It was withheld from the rest of the company and the public "deliberately, for morale considerations," he said.

He said he wanted to leave the company now because "my wife and I have myriad things we want to do while we still have our health. So often, people retire but are incapable of pursuing activities for health reasons."

They plan to travel exten-

(Continued on page 71)

Nursery association exec dead at 59

By an NHCN staff editor

WASHINGTON — Robert F. Lederer, the executive vp of the American Association of Nurserymen (AAN), died in Fairfax, Va., on Sept. 26 as the result of a blood clot following heart surgery. He was 59.

Lederer joined AAN in 1959 as an administrative assistant and had held his most recent position since 1965. He had planned to retire in August of next year.

Lawrence E. Scovotto has been named to replace Lederer at the association.

"He is definitely going to be missed by everyone, and left a big set of shoes to fill," said Gene Bunting, president of Bunting Nurseries in Selby, Del., and a close friend of more than 25 years who would duck hunt with Lederer every season.

Bunting, a past president of AAN, described Lederer as the industry's "diplomat deluxe, someone who could arouse people and stimulate them to action. He was involved in so many things that he carried the industry and AAN well beyond what most expected."

Over the past 22 years, Lederer was well known in Washington circles and frequently interacted with the White House as a horticultural consultant. He worked with Lady Bird Johnson on the National Beautification Program in the 1960s, and with Patricia Nixon, who on three occasions served as honorary chairman of AAN's National Landscape Awards Program. Rosalynn Carter and Nancy Reagan have also hosted AAN awards ceremonies.

He had also been a longtime member of the Pageant of Peace Committee, which displays the National Christmas Tree annually.

Under Lederer's leadership, AAN brought under its affiliated umbrella a broad array of disparate "family" members, including Garden Centers of America, the Horticultural Research Institute,

(Continued on page 71)

Beaver launches housewares chain

By Ken Schept
NHCN Editor

TORONTO — The Molson Cos., corporate parent of Beaver Lumber, last month launched a new housewares specialty store chain called Wares & Wares.

The first store opened in an enclosed mall outside of Toronto in the suburb of Scarborough Sept. 22. A second store is set to open next month in Mississauga, another Toronto suburb.

The concept calls for stores of 3,000 to 4,000 square feet that carry glassware, kitchen gadgets, cooking items, "accent" merchandise such as napkins, plastics and hard-to-find hardware. The outlets are expected to be located in malls and shopping centers.

Wares & Wares was developed over the past 18 months, according to John Lacey, executive vp of Molson's retail merchandising group.

After market research suggested that housewares stores have a difficult time attracting male shoppers, Lacey said Molson married a pure housewares offering with a selection of hard-to-find hardware items, some of which the company already sells in one of its other specialty operations, Toronto's Aikenhead's Hardware.

Lacey expects six Wares & Wares to be operating in Toronto within a year. "If they work in Toronto, we'll network [Canada]," he said. In the next few years, he felt the chain could grow to 25 to 30 stores throughout Canada.

Specialty expansion

The housewares venture is the latest manifestation of Molson's strategy to capture a greater share of Canada's home improvement business through growing specialty store companies in market segments not served by Beaver Lumber.

In the past 12 months, Molson acquired Lighting Unlimited and it entered into a joint venture with Germany's Nühaus Kitchen Systems to open Nühaus kitchen stores.

The strategy is reflected in a new management structure. Molson's retail merchandising group is divided into three divisions that report to Lacey. The Beaver division is headed by Jack Bingleman; the lighting division is headed by Seymour Schwartz; and Andy Sibbald oversees new ventures.

The retail merchandising group's current store count includes 200 Beaver Lumbers, 56 Lighting Unlimiteds, and single units in the Nühaus, Aikenhead's and Wares & Wares operations.

The group last year earned $21.8 million (Canadian) from $684.9 million in sales.

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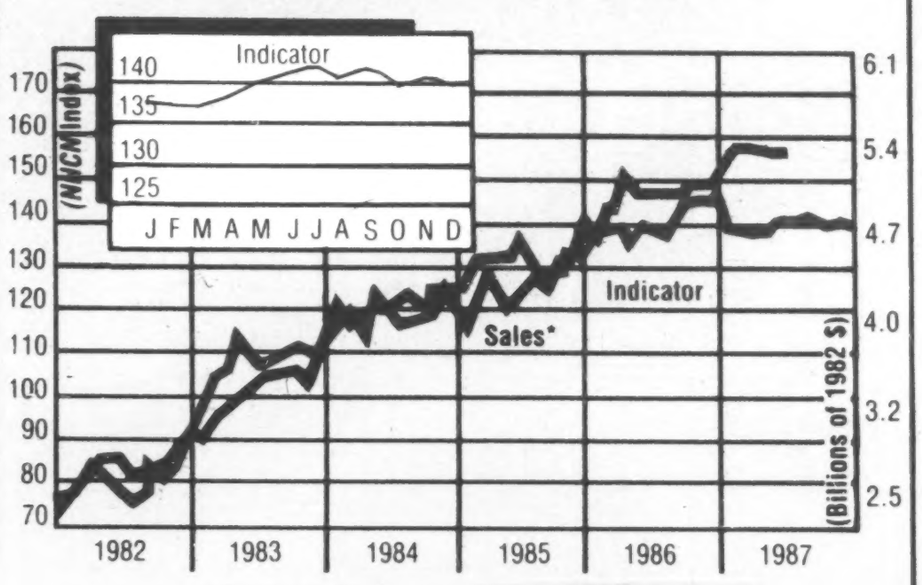
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales are declining in recent months, pointing to a slowdown in sales in the months ahead.

Higher mortgage rates to push bldg. mat'l sales down in '88

By Richard E. Mount
Special to NHCN

Mortgage rates are on the rise again, following the increase in the discount rate by the Federal Reserve on September 4. The discount rate is the rate charged by the Federal Reserve when banks borrow from it.

Mortgage rates were well behaved in August, showing little change from the prior month. But, following the discount rate hike, mortgage rates climbed from 10.3 percent at the end of August to 11 percent at the end of September.

Mortgage rates are likely to continue advancing through 1988, reaching about 12 percent by the end of the year. Inflation is rising slowly, and lenders will want a higher return.

Richard E. Mount

The economy is beginning to accelerate, and faster growth requires increased business borrowings to maintain higher levels of inventories.

Housing to head lower

Rising mortgage rates will soften housing starts and, to a lesser degree, resales in 1988. Potential home buyers will try to limit the rise in monthly mortgage payments by turning to adjustable rate mortgages which have lower rates than fixed. Smaller homes or units with fewer amenities will become more popular, mortgage durations

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	1986		1987				1988				
	QIII	QIV	QI	QII	QIII	QIV	QI	QII	1986	1987	1988
***NHCN* Leading Sales Indicator** (January 1980 = 100)	132.1	137.1	138.6	140.2	141.9	140.4	141.1	142.3	130.4	140.3	142.9
General Economic Outlook											
GNP $1982 Billion	3,718.0	3,731.5	3,772.2	3,793.7	3,814.9	3,838.2	3,862.1	3,886.0	3,713.3	3,804.8	3,896.9
Real Disposable Income $1982 Bil.	2,653.2	2,656.7	2,674.6	2,647.8	2,668.4	2,685.1	2,713.7	2,725.5	2,645.2	2,669.0	2,731.4
Housing Permits (000 SAAR)	1,678	1,695	1,695	1,535	1,550	1,530	1,500	1,490	1,762	1,578	1,483
Housing Starts (000 SAAR)	1,758	1,702	1,795	1,615	1,590	1,560	1,530	1,510	1,806	1,640	1,503
New Home Sales (000 SAAR)	685	712	724	675	650	650	640	630	749	675	623
Resales (000 SAAR)	3,615	3,927	3,617	3,610	3,500	3,475	3,450	3,565	3,565	3,551	3,431
Prime Rate %	7.9	7.5	7.5	8.1	8.4	9.1	9.2	9.4	8.4	8.3	9.6
Mortgage Rate % (HUD)	10.2	9.7	9.1	10.3	10.5	11.2	11.4	11.5	10.2	10.3	11.7
Consumer Price Index (1967 = 100)	328.4	330.7	335.0	339.0	342.3	346.0	350.3	354.9	328.3	340.6	357.3
Producer Price Index (1967 = 100)	288.2	290.2	292.1	296.1	298.5	301.8	305.4	309.3	289.8	297.1	311.3
New Housing Affordability 1980-100)	126.1	128.9	129.2	119.4	111.4	111.9	112.7	110.7	128.3	118.0	109.3
Residential Alterations and Repairs											
Current Total $ millions SAAR	104,400	86,700	92,500	96,910	97,860	98,410	104,020	105,970	91,416	96,420	105,763
Maintenance and Repair	40,600	36,300	37,500	39,850	40,050	39,740	41,960	42,650	35,990	39,285	42,553
Additions and Alterations	44,700	35,400	37,300	38,750	39,320	39,860	42,310	43,120	38,662	38,808	43,048
Major Replacements	15,000	19,100	17,700	18,310	18,490	18,810	19,750	20,200	16,766	18,328	20,163
Constant Total Millions $1982 SAAR	96,100	83,969	80,900	84,410	85,740	87,650	88,750	89,950	82,165	84,675	90,475
Maintenance and Repair	38,900	33,569	32,800	34,710	35,090	35,400	35,800	36,200	32,540	34,500	36,400
Additions and Alterations	42,828	32,737	32,620	35,750	34,450	35,500	36,100	36,600	34,435	34,080	36,825
Major Replacements	14,372	17,663	15,480	15,950	16,200	16,750	16,850	17,150	15,190	16,095	17,250
Retail Trade Activity											
Current Total $ millions SAAR	1,486,596	1,486,648	1,469,808	1,505,100	1,535,502	1,553,368	1,595,093	1,626,306	1,445,875	1,516,444	1,640,899
Total Minus Automobile	1,122,908	1,133,900	1,155,900	1,165,824	1,190,384	1,204,521	12,225,779	1,247,038	1,117,943	1,179,157	1,257,667
Building Material, Hardware, Garden Supply, Mobile Home	88,884	89,488	91,132	89,548	93,591	95,115	96,313	96,901	88,009	92,346	97,198
Building Material and Supply	62,956	64,584	69,660	68,780	72,672	74,560	76,091	77,303	65,529	71,418	77,927
Hardware	11,832	11,748	12,092	12,160	12,564	12,723	12,962	12,979	10,700	12,385	12,986
Constant Total Millions $1982 SAAR	1,389,643	1,381,478	1,346,715	1,361,254	1,375,000	1,379,000	1,400,219	1,413,383	1,359,694	1,365,492	1,418,850
Total Minus Automobile	1,064,708	1,069,709	1,069,597	1,065,327	1,077,000	1,079,000	1,087,172	1,057,076	1,057,464	1,072,731	1,098,765
Building Material, Hardware, Garden Supply, Mobile Home	84,518	83,480	84,277	82,559	85,432	85,963	86,185	85,853	83,303	84,558	85,687
Building Material and Supply	59,866	60,242	64,420	63,411	65,750	66,200	66,300	66,100	60,490	64,945	66,000
Hardware	11,251	10,960	11,182	11,212	11,470	11,500	11,600	11,500	10,640	11,341	11,450
Building Materials % of Total Less Automobile ($Current)	5.61	5.70	6.03	5.90	6.10	6.19	6,21	6,20	5.86	6.06	6,20

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
October 19, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Discount rate increase pushes mortgage rates up

(Continued from page 18)

will be lengthened from 20 years to 30 years by some, and potential new home buyers will shift their sights to the resale market.

Housing starts are likely to decline 8 percent in 1988 to 1.5 million units, lower than the 1.55 forecast before mortgage rates rose in September. Of greater importance for building material retailers, the decline in starts in prior forecasts was concentrated in multiunits which were overbuilt between 1983 and 1985 and were harmed by the 1986 tax-law changes.

With the rise in mortgage rates, the expected weakness will spread to single units which are the more important market for retailers. Resales will be unchanged in 1987 and down only 3 percent in 1988. Existing home sales will not decline as fast as new homes in this rising mortgage rate environment.

The gap between new and existing housing continues to widen. In January 1984, the median resale price was 92.8 percent of a new home; by August 1987, it was down to 79.9 percent. As potential home buyers seek to limit monthly payments, resales become increasingly attractive.

All is not bleak for building material sales in 1988. The overall economy will provide a plus. The economy is expanding, helped by a lower dollar that is boosting industrial production and capital spending. A stronger economy means higher income gains.

While growth has been concentrated in the current recovery on the East and West coasts, rising energy prices, improvements in durable goods production and strengthened farm economies will help the central portion of the nation grow faster.

The consumer, while becoming tired of fueling the current economic expansion, is not ready to rest. With the unemployment rate declining to 6 percent in August, wage gains will improve in 1988. Consumer debt, while high, has been concentrated in the auto sector. Other areas of debt are not as much out of line with income.

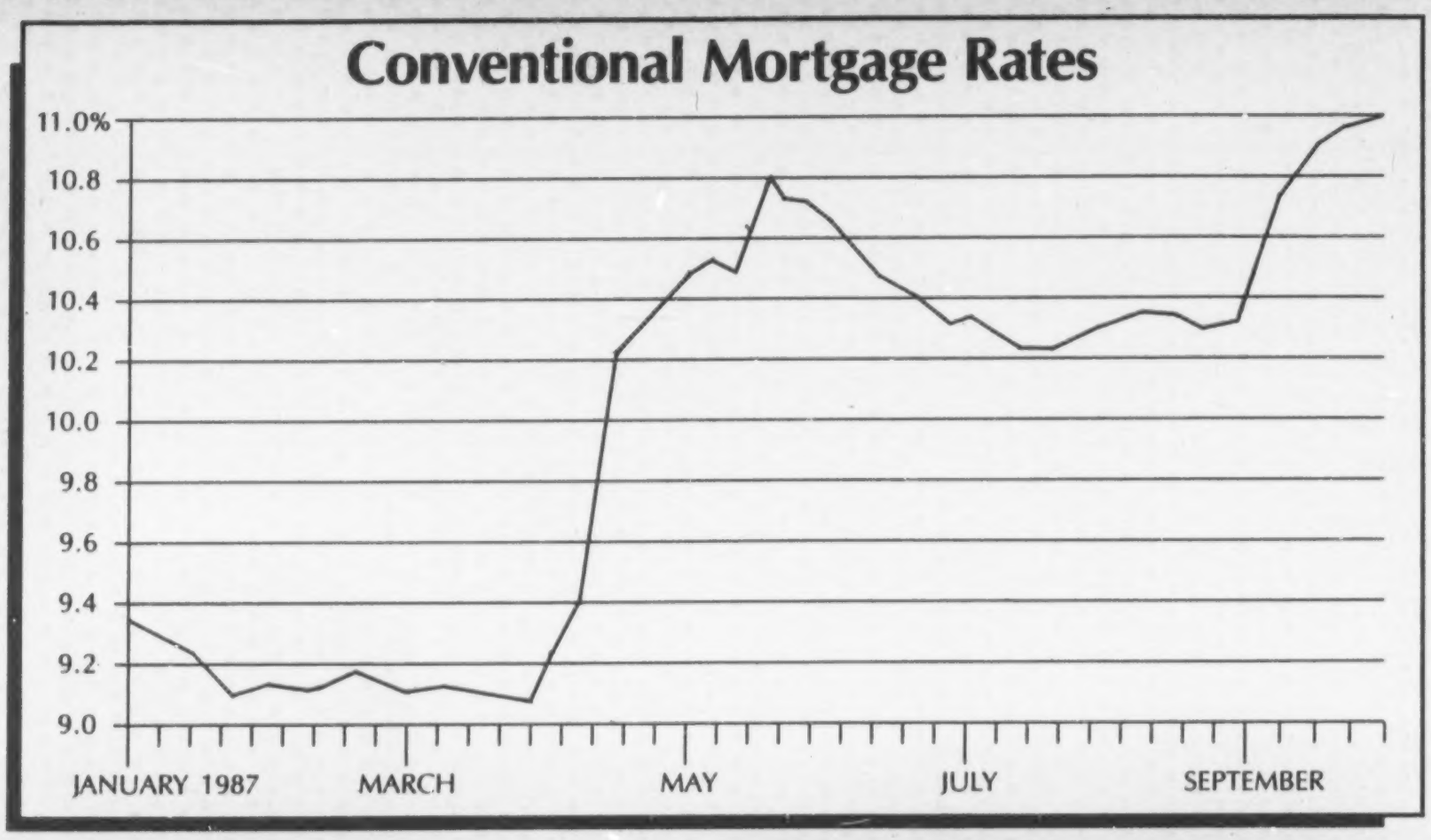
Borrowings for home improvements are one of the few deductibles left to households under the new tax law. Demographics remain strong, and new households need housing.

Building material sales should slow to a 2 percent gain in unit volume for 1988 after 7 percent in 1987. Because of higher inflation, dollar gains for both years will be 9 percent. Sales to builders will be lower as housing starts decline and the average size of new homes decreases.

While resales could be 3 percent less, spending to upgrade each unit after purchase should be higher. As buyers shift from the new homes to resales because of higher mortgage rates, they will want to upgrade the unit somewhat more than the typical buyer of the past few years.

Consumer spending for home improvements, meanwhile, will remain strong as incomes rise in 1988.

Mortgage rates are likely to continue advancing through 1988, reaching about 12 percent by the end of the year.



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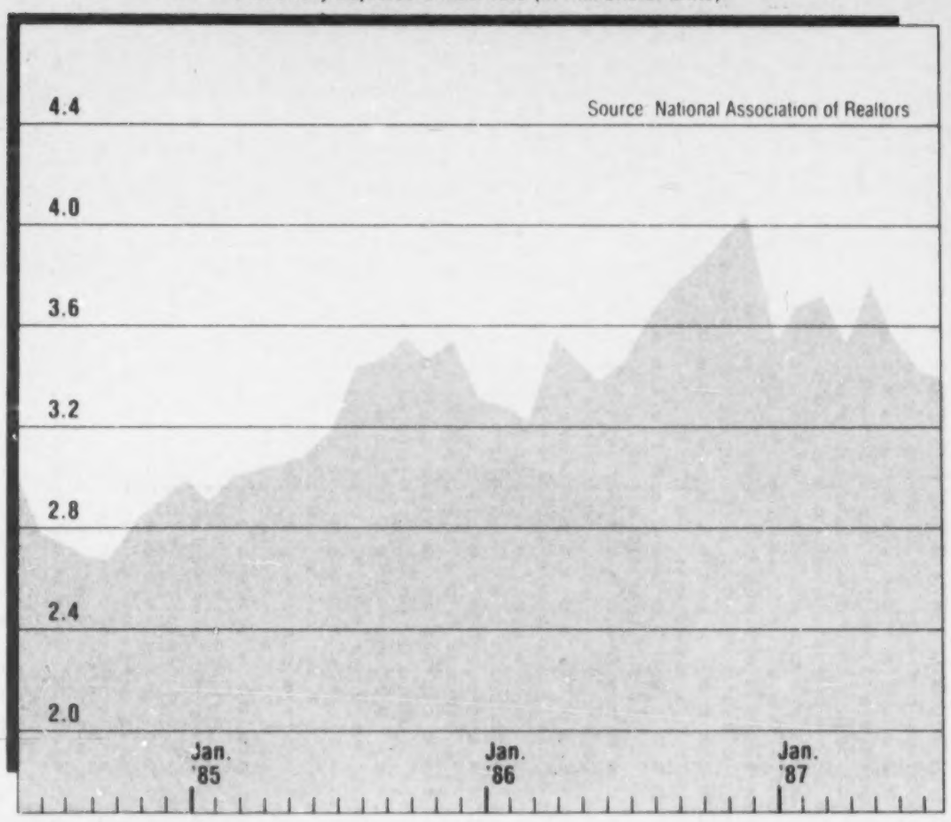
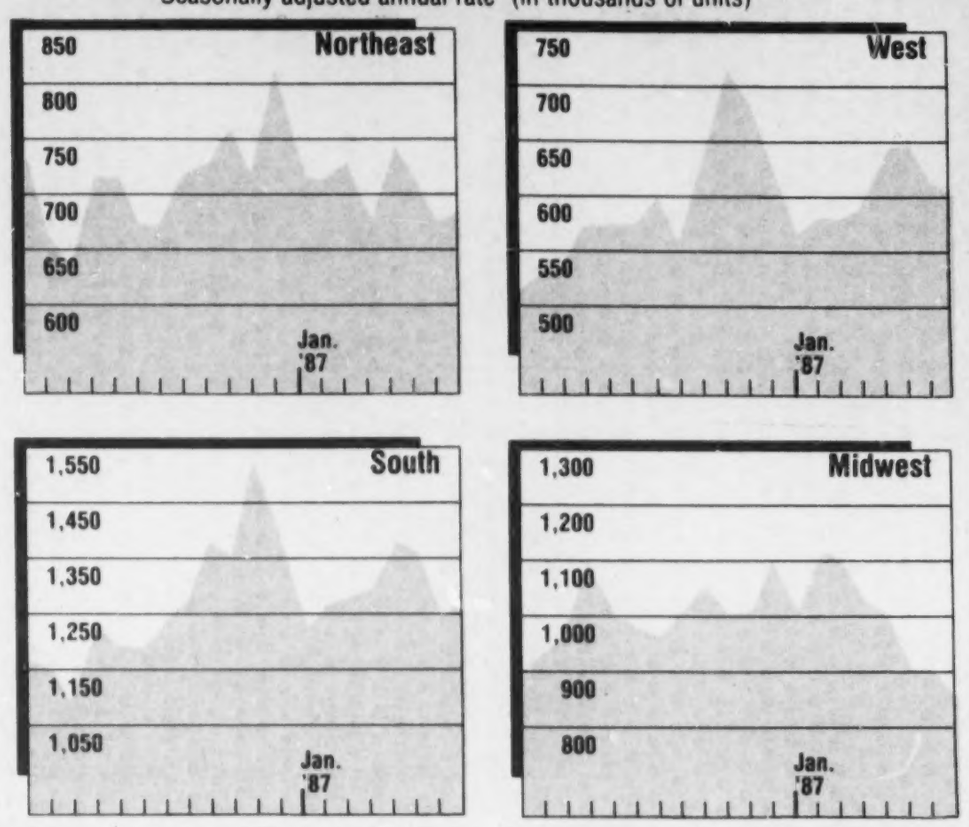
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Aug. housing resales presage downward trend

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — The downward spiral of home resales continued in August, with sales dropping 0.9 percent from July.

Economists predicted the decline will continue through the end of the year, as mortgage rates continue to rise.

"More people were forced to buy less expensive houses, or to abandon their purchase altogether," said John Tuccillo, chief economist for the National Association of Realtors.

He added the market has yet to feel the effect of the recent increase in the discount rate, which the Federal Reserve charges banks to borrow money, and it affects consumer interest rates.

Fixed rates for 30-year mortgage stood at more than 10 percent in August, according to the Federal Home Loan Mortgage Corporation. That's up from a nine-year low of 9 percent in March.

A seasonally adjusted 3.4 million units changed hands in August, down from a revised 3.43 million units in July, the sixth month-to-month decline this year.

Median Sale Price
(in thousands of dollars)

	Aug.[P]	July[r]	June	May
U.S.	$ 85.4	$ 86.2	$ 85.2	$ 85.2
Northeast	134.8	143.2	136.4	132.4
South	79.9	78.4	80.5	81.4
Midwest	66.5	65.9	65.6	66.3
West	105.2	106.7	105.1	103.2

[P]-preliminary [r]-revised
Source: National Association of Realtors

The biggest regional drop was in the Midwest, where 850,000 units changed hands, compared to 900,000 in July. At the same time, the median price of a house in the region rose $600.

The resale slowdown to the lowest pace in two years "could signal a continued severe weakness in the economy in that part of the country," Tuccillo warned.

The Northeast showed a resale increase of 10,000 units.

The cost of a home in the region fell $8,400 from July, bringing the median price to $134,800.

"The drop . . . shows a softer market in an area that has been the hottest in the country," Tuccillo said.

But he cautioned that the median home price in the Northeast is still above the price during the first five months of the year.

The median price in the South was $79,900, up $1,500 from July, but only $200 more than in August 1986. Some 1.27 million units changed hands, only a 2.4 percent increase from July and flat with last August.

In the West, the median price dropped $1,500 to $105,200, but was up $2,300 from August last year. Resales were down 1.6 percent, to 600,000 units.

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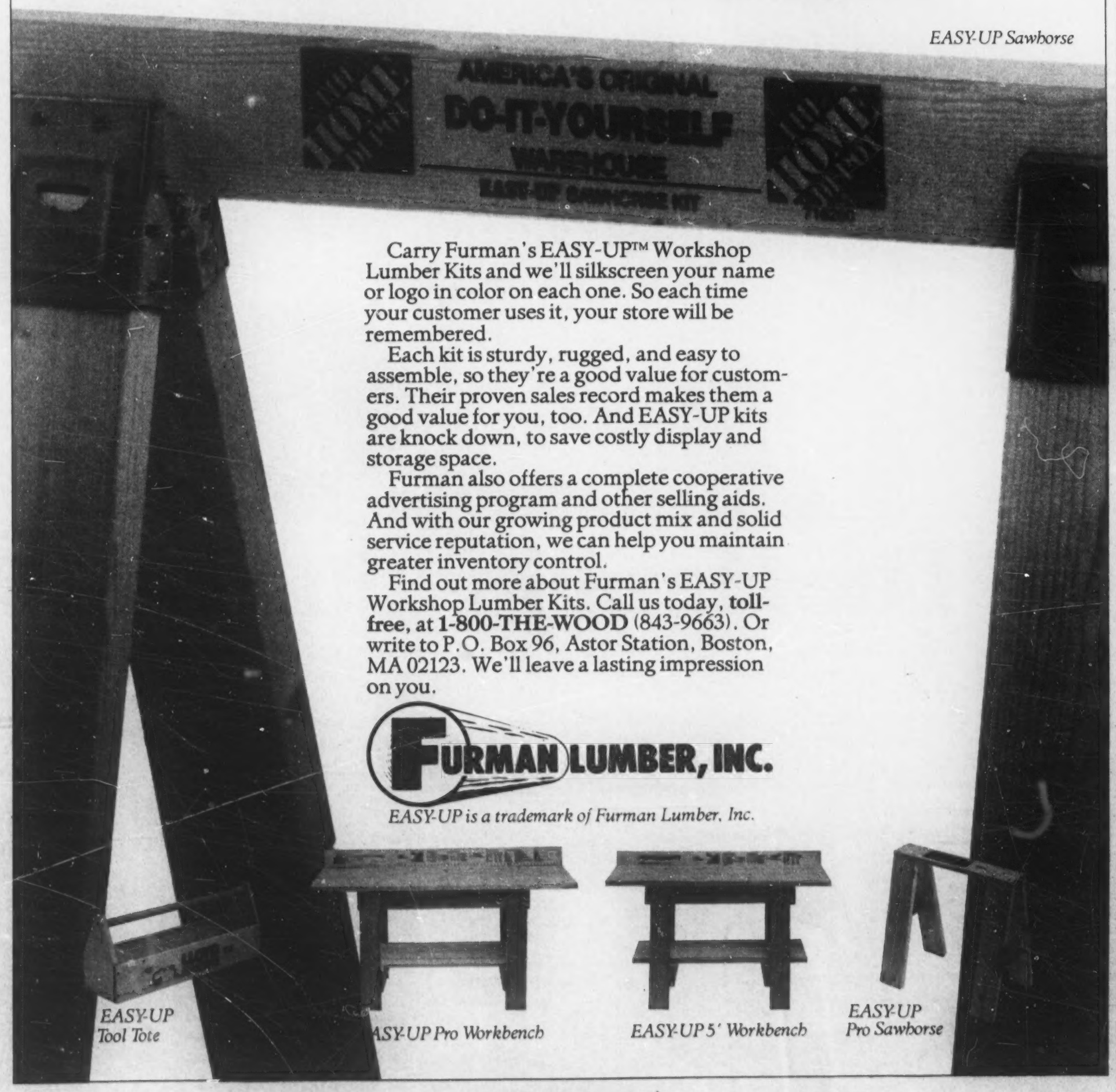

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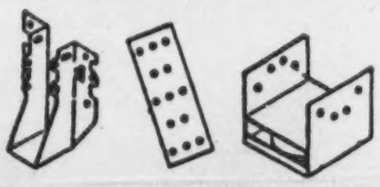

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LUMBER REPORT

British Columbia moves to take control of federal tax on lumber

By Hawk Furman
Special to NHCN

British Columbia has moved on its own to come up with a solution to the current Canadian federal tax on lumber exported to the United States.

The province is attempting to gain control of the federal tax on the provincial timber. The tax was imposed as a result of the United States' decision to impose a countervailing duty on Canadian lumber. That was subsequently headed off by the Canadian federal government by instituting a federal export tax.

The Minister of Forests of British Columbia, David Parker, announced in mid-September a bold new plan that changes all the rules concerning the harvesting of timber in British Columbia.

New provincial program

The proposed provincial plan would effect a full replacement for the federal export tax plus a $100 million increase this year on stumpage charges.

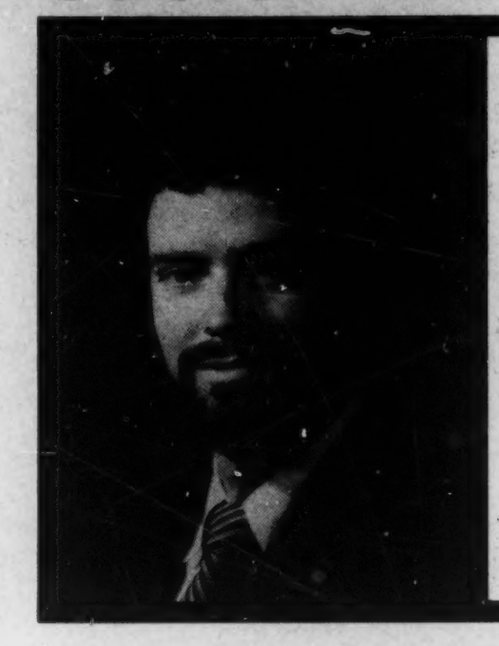
The increase in stumpage fees took place Oct. 1. It's estimated that the new stumpage fee will raise the province's revenues from the Forest Products Industry this year to $680 million, up from $580 million.

According to an article in the *Vancouver Sun*, "Stumpage, the price a company pays for timber, will increase under the new system to an estimated $547 million from an estimated $138 million that would be collected in the current year under the existing system." (All amounts are in Canadian currency.)

The proposed change means the old way of determining values for timber each year based on market prices will vanish. There will now be a minimum fee base.

Other changes

In another major change, the province will no longer be responsible for reforestation or maintenance of provincial timber. The private forest product companies must now pick up the costs. Minister Parker said, "The government will legislate and audit the companies' reforestation activities."



"Forest product executives in British Columbia were shocked and disappointed by the new Canadian forestry initiatives."

—Hawk Furman

Several of the changes include:

- The expansion of harvesting rights by current license holders;
- Doubling the amount of timber available to open markets to allow the smaller companies to compete;
- Allowing the province to recover 5 percent of the allowable cut;
- Establishment of a new agency to monitor log scaling;
- The government can impound and sell off surplus timber of companies that do not cut their full allowance of timber; and
- Forest product companies that keep undercutting for five years in a row will lose their unused share of forest lands permanently.

Forest product executives in British Columbia were shocked and disappointed by the new forestry initiatives. Adam Zimmerman, chairman of MacMillan Bloedel Ltd. and chairman of the Canadian Forest Industries Councils, said, "They've simply kicked the forest industry's advice in the teeth."

Mike Apsey, president of the Council of Forest Industries of British Columbia, concurs, stating that the Ministry of Forests did not ask for or get much input from the forest product industry.

Mr. Apsey added, "I thought this industry had been through all the shock it was going to get over the past two years. . . First we had a 35 percent tax on shakes and shingles, then the lumber tax and now this."

He feels the industry got a double whammy with a stumpage price increase and reforestation costs that include building roads, bridges, replanting and managing the forest on the land they control.

The industry sees higher cost for lumber from British Columbia for all the world markets. Under the federal tax scenario, only lumber shipped to the U.S. was taxed, while under the new legislation, all lumber will be affected no matter where it's destined.

British Columbia's new forestry program has caused its share of confusion. For instance, will the United States accept this as a solution to the countervailing federal tax?

An official in Washington, not wanting to be identified, said, "This can't work. It's a can of worms."

Hawk Furman is president and ceo of Furman Lumber in Boston.

Co-ops show strong growth in lumber

By an NHCN staff editor

EUGENE, Ore. — The sale of forest products by co-ops is three times the amount reported four years ago, a trend that has prompted some of the buying groups to expand their lumber and building material departments, a study by *Random Lengths* concluded.

In its September 25th issue, the lumber newsletter reported that seven of eight co-ops responding to a *Random Length's* poll had combined wood products sales of $730 million in 1986, three times the dollar amount in 1983.

Although the newsletter did not identify any of the co-ops by name, all were described as dealer-owned and ranging in size from 150 to 7,000 members. The buying group supplying the most members with wood products served 1,600 locations. The study found that 21to 100 percent of each co-op's membership handled wood products. The eight responding co-ops reported a combined total of more than 5,800 members who purchased wood products.

As has been reported previously, several of the hardware co-ops—including Cotter & Co., Ace Hardware, American Hardware Supply and Hardware Wholesalers Inc.—have beefed up their lumber and building materials distribution to compete more effectively with the likes of commodities buying groups such as Lumbermens Merchandising Co., Builder Marts of America, Progressive Affiliated Lumbermen and Central Builders Supply.

One of the respondents to the *Random Lengths* survey said that its lumber sales had climbed 20 percent every year since 1983 and were up 40 percent for the first six months of 1987.

In one of the more compelling discoveries, each buying group said its staff of lumber and building material buyers had been increased with fattened budgets. The staffs ranged from four to 15 buyers, with an average of about one buyer per 100 members who purchased wood products.

Random Lengths reported that 80 percent of home centers and lumberyards purchased wood products through their co-ops lumber and building material departments on a monthly or quarterly basis. But less than 10 percent bought all of the lumber and paneling inventories through co-ops.

FINANCIAL NEWS

Home centers face LIFO inventory charge this year

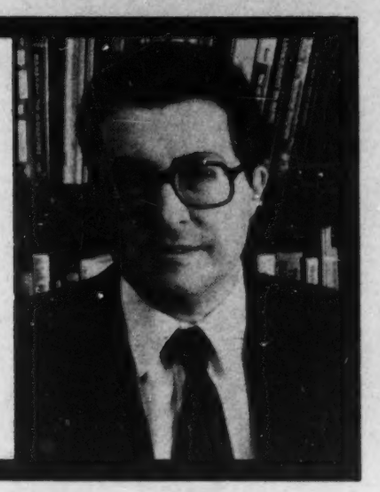
By Phillip M. Perry
NHCN staff editor

With inflation creeping back into the economy, home center operators are starting to wonder if the costs of goods they purchase will have a negative effect on this year's earnings.

Behind the Numbers

If LIFO charges are recorded this year, it will be a notable change. Despite some modest inflation in the overall economy, for the past three years most home center chains have reported deflation, or falling prices, for the average cost of goods sold on their shelves.

Because of the falling cost of goods sold, most home centers using the last-in-first-out (LIFO) method of inventory accounting have been recording higher earnings than they would without merchandise deflation.



Perry

But after five years of an expanding economy, the country is expected to record about 5 percent inflation this year, according to Value Line senior economist Mark Tavel.

"The higher inflation rate might lead to LIFO charges," he says.

Tavel points to the rising cost of energy and lumber, as two factors helping to push inflation higher.

"People are starting to realize the 2 percent inflation of the past couple of years is not sustainable," he says.

The experience of the past three years has shown inflation of modest proportions does not necessarily translate into higher cost of goods sold in the home center field.

Despite modest inflation last year, for example, Payless Cashways was the only publicly held home center company using LIFO to record any kind of charge for higher cost of goods sold. Even there, the LIFO charge accounted for only a single basis point drop in its gross margin. (A basis point equals one one-hundreth of a percentage point.)

Other chains using LIFO actually experienced price deflation for their merchandise, although the gross margin adjustments were small.

Full production on the part of manufacturers, matched by a decline in demand resulting from softening housing starts, is cited as one reason for the fall in cost of goods sold by Cliff Oxford, vp-investor relations at Lowe's.

"Even though prices have been up since this summer, there had been so much deflation in the cost of plywood and commodities, that they are available now for about the same cost as in 1978," says Oxford.

Cost of goods is calculated on the last day of the fiscal year. Occasional blips in prices and supply—such as the recent sharp rise in lumber prices due to shortages this summer—may not have a lasting impact.

Growing pressure from imports may explain a softening in the costs of hardlines.

Home centers believe they will record LIFO charges this year. Dan R. Wewer Jr., of Robinson-Humphrey, Atlanta, says home centers have already factored an average of 2 percent inflation into their cost of goods sold so far this year.

1986 Gross Margins
FIFO Basis

Pay 'N Pak	33.94%
Strober Organization	33.15
Payless Cashways	31.73
Scotty's*	30.74
Hechinger	29.96
The Home Depot	27.50
Wolohan	25.86
National Lumber	25.36
Lowe's	24.36
Median	**29.96**

* Period ended June 27, 1987.
Source: Annual Reports.
NHCN chart.

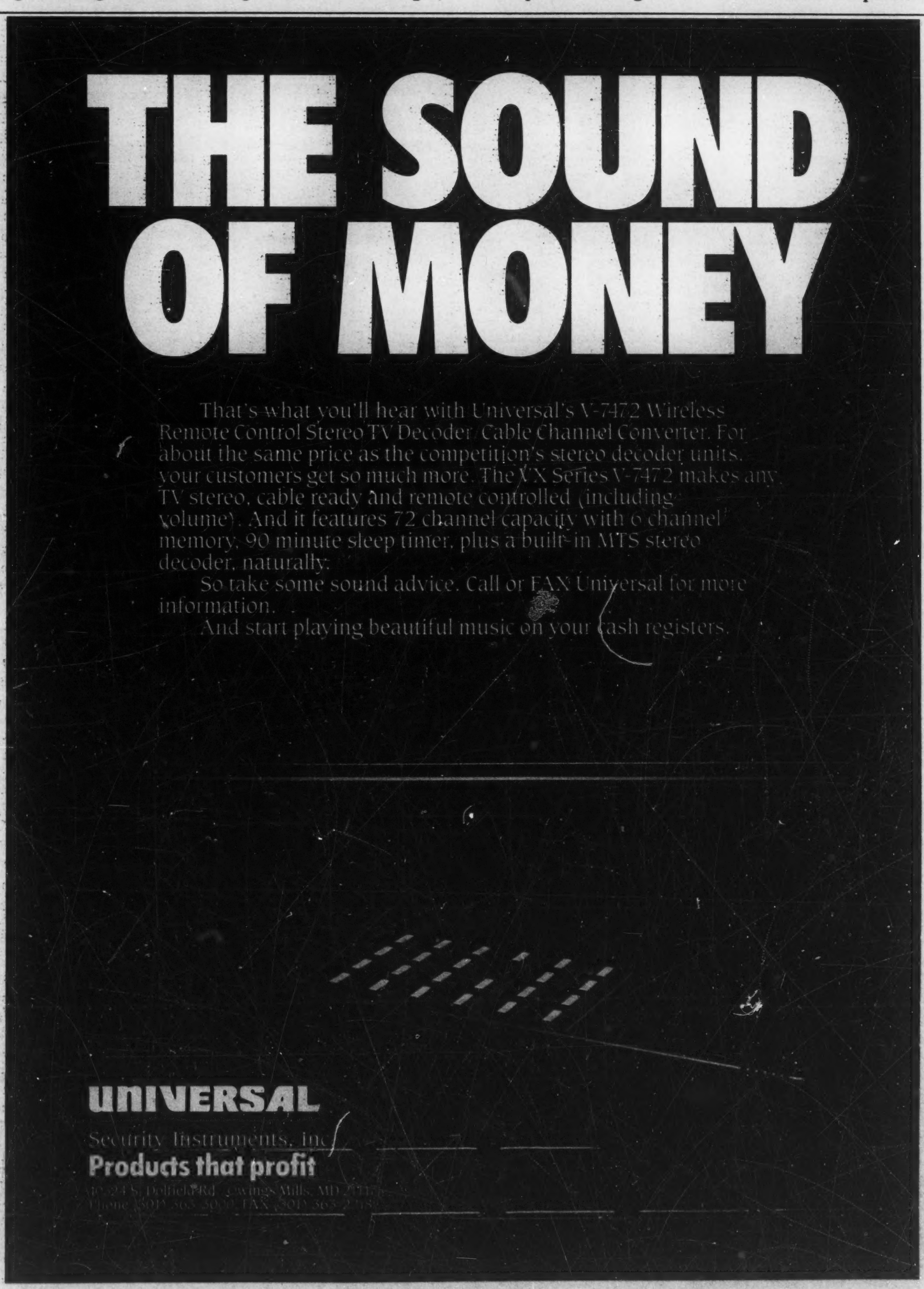
Most of the major publicly held home center companies utilize LIFO accounting. Its purpose is to factor out the results of inflation from inventory. Thus, it provides a better assessment of company performance.

In a group of 10 publicly held building material retailers, only four use FIFO. These are The Home Depot, Pay 'N Pak, Strober Organization and General Building Products.

When the reported results of all companies are adjusted to a FIFO basis (a necessary step for comparability) the median gross margin for the industry comes to about 30 percent. The range is from 24.36 percent to 33.94 percent.

* * *

The bottom line—Most large pension plan funds let external managers decide how to vote shares of stock in the portfolios, according to a new report from Employee Benefit Research Institute, Washington.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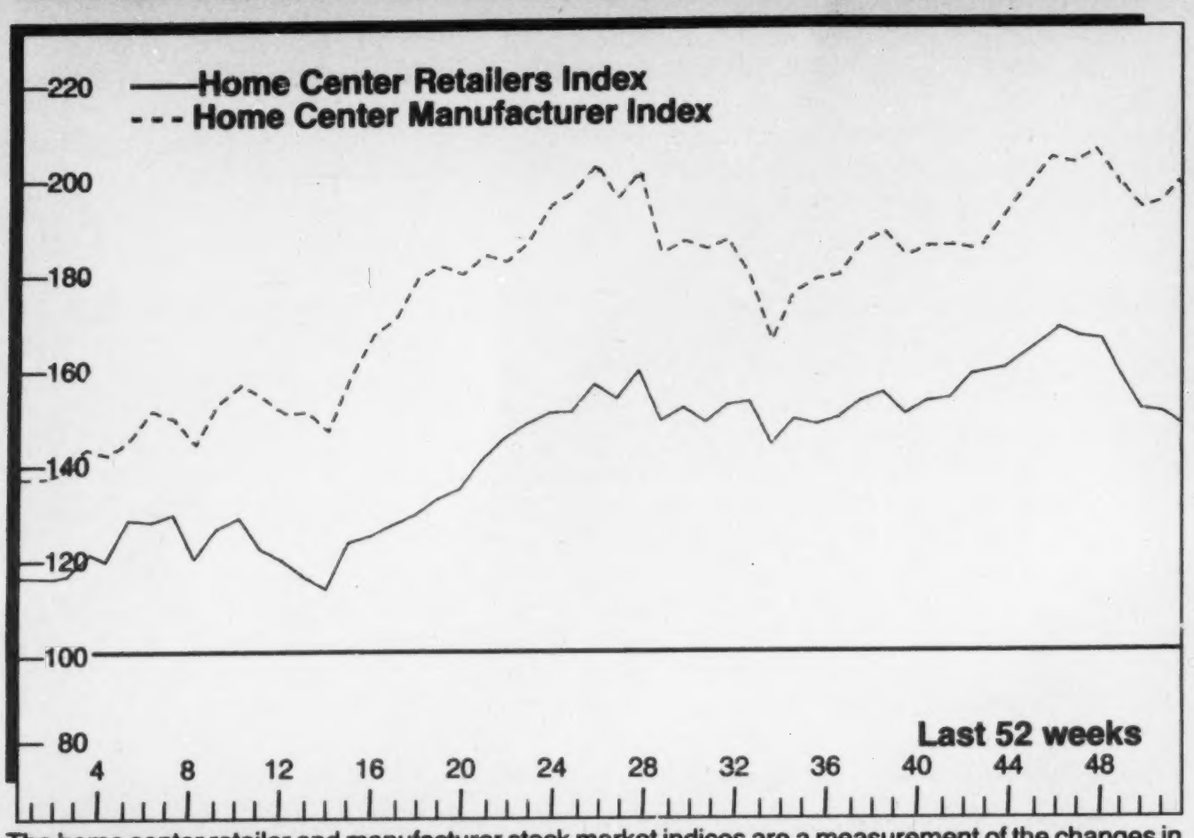
FINANCIAL NEWS

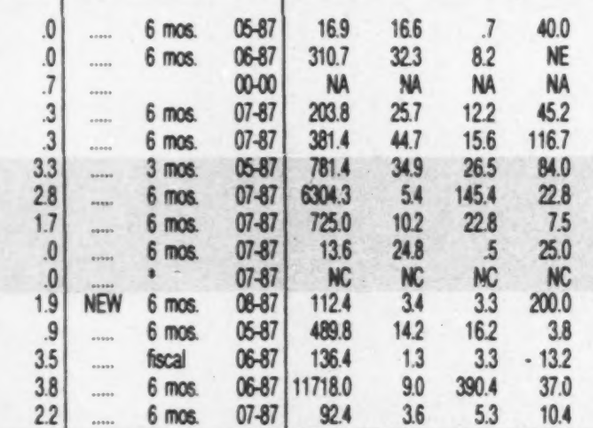


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on February 5, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-2-87		(100)	%	%
Am Woodmark	M	1,332	- 5.2	338.6
Am Consum Prods	M	1,677	3.7	324.7
DeSoto Inc	N	1,268	- 2.2	273.3
USG Corp	N	58,346	27.7	253.3
Home Depot	N	29,217	- 3.2	198.2
Masco Corp	N	39,619	- 3.3	160.9
Scotty's Inc	N	2,401	5.3	160.3
Sherwin-Wms	N	13,355	6.6	140.0
Wickes Cos	N	19,183	- 3.5	135.9
Hughes Supply	N	589	3.7	126.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market		2-Weeks Ended 10-2	2-Week Price Change	Total 2-Week Volume
10-2-87		$	%	(100)
USG Corp	N	52.50	27.7	58,346
Strober Organiz	M	12.38	15.1	1,341
Macmillan Bloedel	M	22.63	12.4	15,709
Champ Intl	N	44.38	11.6	46,471
Armstrng Wrld	N	43.88	10.4	12,033
Zayre Corp	N	32.25	9.3	57,317
Union Camp	N	47.50	9.2	27,401
Triangle Ind	N	43.13	8.5	7,819
Cooper Indus	N	74.13	8.4	15,890
Boise Cascade	N	84.00	8.0	12,868
Losers		$	%	(100)
Supermkts Gen	N	33.88	- 10.0	2,360
Natl Hardgoods	M	7.25	- 9.4	144
Gen Bldg Prods	M	9.50	- 7.3	477
Clairson Intl	M	9.50	- 7.3	1,746
Lewis Palmer	M	8.25	- 5.7	1,207
Hechinger B	M	22.50	- 5.3	813
Am Woodmark	M	11.38	- 5.2	1,332
Hechinger A	M	22.75	- 4.2	9,786
Std Brd Pnt	N	27.13	- 4.0	5,824
Certain-teed	N	40.00	- 3.6	1,204

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price 2-Weeks Ended 10-02-87	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																														
Gen Bldg Prods	M	9.50	- .75	- 7.3	10.25	8.75	12.50	9.25	477	1.19	.63	88.9	12.7	.00	.0	.....	6 mos.	05-87	16.9	16.6	.7	40.0	.20	11.1	29.8	24.7	1.0	66.7	.29	38.1
Grossman's Inc	M	8.88	.13	1.4	8.88	8.50	11.25	6.75	8,363	4.18	5.74	- 27.2	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A	M	22.75	- 1.00	- 4.2	23.25	22.50	26.50	16.00	9,786	8.95	6.55	36.6	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	22.50	- 1.25	- 5.3	23.50	22.50	26.75	16.25	813	.51	.23	121.7	20.3	.06	.3	.....	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot	N	24.63	- .81	- 3.2	25.63	22.00	28.09	11.09	29,217	6.62	2.22	198.2	27.4	.08	.3	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.33	73.7	715.4	47.2	28.4	130.9	.62	93.8
INTERCO Inc	N	48.25	- .13	- .3	49.25	47.13	54.00	36.63	7,383	2.58	1.46	76.7	14.7	1.60	3.3	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp	N	41.25	1.25	3.1	41.50	38.88	48.38	28.84	66,230	3.29	1.75	88.0	12.9	1.16	2.8	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos	N	25.25	- .13	- .5	26.00	24.63	32.75	22.50	10,262	2.59	1.36	90.4	17.3	.44	1.7	.....	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods	M	7.25	- .75	- 9.4	7.25	7.00	10.00	6.88	144	1.06	1.08	- 1.9	9.4	.00a	.0	.....	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0
Natl Lumber	M	5.00	.00	.0	5.25	5.00	7.50	4.00	334	.59	.36	63.9	NE	.00	.0	.....	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak	N	20.63	.00	.0	20.88	20.50	21.50	10.13	323	.32	.37	- 13.5	20.6	.40	1.9	NEW	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5
Payless Cash	N	18.00	- .25	- 1.4	18.75	16.63	26.88	15.88	15,412	4.45	2.13	108.9	14.2	.16	.9	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc	N	15.00	.75	5.3	15.00	13.75	15.88	12.00	2,401	1.64	.63	160.3	21.1	.52	3.5	.....	fiscal	06-87	136.4	1.3	3.3	- 13.2	.23	- 11.5	515.3	4.3	10.3	- 23.7	.71	- 23.7
Sears, Roebuck	N	52.13	.50	1.0	52.75	50.63	59.50	39.00	68,978	1.83	1.05	74.3	12.7	2.00	3.8	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt	N	27.13	- 1.13	- 4.0	28.50	26.50	31.88	20.88	5,824	5.22	7.40	- 29.5	19.7	.60	2.2	.....	6 mos.	07-87	92.4	3.6	5.3	10.4	.48	14.3	171.8	2.9	8.4	3.7	.76	7.0
Strober Organiz	M	12.38	1.63	15.1	12.75	10.50	15.25	10.25	1,341	2.21	1.02	116.7	13.0	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Supermkts Gen	N	33.88	- 3.75	- 10.0	38.00	33.88	46.75	22.50	2,360	.61	.55	10.9	30.8	.31	.9	.....	6 mos.	07-87	1471.3	8.1	3.5	- 82.4	.09	- 82.7	2872.4	6.4	13.9	- 56.8	.36	- 58.1
Wickes Cos	N	17.38	- .63	- 3.5	18.38	16.00	25.00	15.63	19,183	4.01	1.70	135.9	6.0	.00	.0	.....	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	- 15.4	2994.3	42.1	110.1	201.6	2.25	200.0
Wolohan Lumber	M	15.25	.25	1.7	15.63	14.88	18.75	7.75	2,276	3.88	2.51	54.6	12.4	.20	1.3	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp	N	32.25	2.75	9.3	32.75	26.25	32.88	20.75	57,317	9.86	4.84	103.7	11.6	.40	1.2	.....	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																														
Hughes Supply	N	27.75	1.00	3.7	28.00	26.88	30.25	20.63	589	1.77	.78	126.9	12.2	.40	1.4	.....	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley	M	8.25	.00	.0	8.50	8.25	11.75	6.75	49	.20	.68	- 70.6	18.8	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer	M	8.25	- .50	- 5.7	8.75	8.13	9.88	7.25	1,207	3.00	2.08	44.2	22.3	.28	3.4	.....	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc	M	13.50	.00	.0	14.00	12.75	14.00	8.00	366	2.16	1.11	94.6	12.2	.32b	2.4	.....	9 mos.	07-87	15.7	- 4.3	.5	.0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1
Manufacturers																														
Am Consum Prods	M	14.00	.50	3.7	14.00	13.50	14.25	8.50	1,677	8.07	1.90	324.7	20.9	.00	.0	.....	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard	N	52.50	3.25	6.6	52.88	48.25	55.00	38.25	8,552	2.66	1.69	57.4	14.0	1.80	3.4	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark	M	11.38	- .63	- 5.2	11.75	11.38	17.13	10.88	1,332	1.93	.44	338.6	12.6	.00	.0	.....	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld	N	43.88	4.13	10.4	44.50	37.75	47.38	26.13	12,033	2.54	1.88	35.1	15.1	.90	2.1	.....	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker	N	25.38	.75	3.0	25.38	23.63	26.50	15.63	20,367	3.51	2.11	66.4	35.2	.40	1.6	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade	N	84.00	6.25	8.0	85.25	75.25	86.88	57.25	12,868	4.42	2.18	102.8	21.6	1.90	2.3	.....	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1848.2	.2	75.4	33.9	2.47	30.0
Certain-teed	N	40.00	- 1.50	- 3.6	41.63	38.75	45.75	28.63	1,204	.63	.54	16.7	12.7	1.00	2.5	.....	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl	N	44.38	4.63	11.6	44.63	38.25	44.63	25.50	46,471	4.93	2.25	119.1	12.3	.80	1.8	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl	M	9.50	- .75	- 7.3	10.25	9.50	18.25	9.50	1,746	3.43	1.86	84.4	22.1	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus	N	74.13	5.75	8.4	74.13	66.25	74.13	37.75	15,890	3.20	1.50	113.3	23.0	1.68	2.3	.....	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	16.8	1.47	14.0
DeSoto Inc	N	38.25	- .88	- 2.2	39.38	38.25	43.75	37.50	1,268	3.21	.86	273.3	24.5	1.40	3.7	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp	N	26.00	1.81	7.5	26.13	24.13	26.31	15.56	9,996	1.60	1.04	53.8	NM	.80	3.1	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.46	27.8	1231.6	18.7	56.8	42.0	.91	30.0
Georgia Pacific	N	45.50	2.75	6.4	46.13	40.75	52.75	35.63	49,479	4.47	2.35	90.2	12.3	1.00	2.2	.....	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp	N	24.50	1.13	4.8	24.88	23.25	28.13	18.69	6,718	3.23	1.50	115.3	15.5	1.00b	4.1	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific	N	38.75	1.38	3.7	39.00	37.25	39.75	25.97	11,715	3.06	2.82	8.5	16.0	.80b	2.1	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel	M	22.63	2.50	12.4	22.88	19.63	22.63	8.56	15,709	1.54	.90	71.1	NA	.68	NA	.....	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp	N	3.38	.00	.0	3.63	3.25	5 38	1.63	5,608	2.34	2.81	- 16.7	.8	.00	.0	.....	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp	N	32.75	- 1.13	- 3.3	34.88	32.25	40.88	23.75	39,619	3.00	1.15	160.9	18.9	.40	1.2	.....	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds	M	10.50	- .25	- 2.3	11.00	10.50	14.38	10.50	141	.57	.27	111.1	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co	N	41.00	.63	1.5	41.25	38.38	43.00	25.00	685	.60	.91	- 34.1	17.7	.84	2.0	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc	N	13.50	.75	5.9	14.00	12.13	17.38	11.75	4,190	2.58	1.39	85.6	10.9	.10	.7	.....	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn	N	23.38	1.00	4.5	23.50	19.00	32.38	8.88	27,427	7.32	3.26	124.5	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem	A	16.88	.63	3.8	17.13	16.00	18.13	10.00	1,158	1.04	1.01	3.0	17.4	.12	.7	.....	6 mos.	06-87	82.1	38.9	3.8	58.3	.32	6.7	152.7	39.2	7.1	61.4	.61	8.9
Pope & Talbot	N	24.00	.88	3.8	24.13	21.25	27.25	10.00	3,859	3.21	1.46	119.9	10.9	.44	1.8	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp	N	36.13	1.00	2.8	36.75	34.00	41.88	26.25	4,037	1.51	.99	52.5	13.2	.92	2.5	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds	N	46.50	.38	.8	46.75	44.25	53.50	32.13	29,839	2.50	1.41	77.3	16.1	1.08	2.3	.....	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms	N	34.38	2.13	6.6	34.75	31.75	38.50	23.25	13,355	3.00	1.25	140.0	14.3	.56	1.6	.....	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works	N	34.75	.50	1.5	35.75	32.75	36.63	24.13	5,268	1.24	.61	103.3	17.4	.88	2.5	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds	N	21.25	.38	1.8	21.38	19.50	22.63	15.50	576	.58	.43	34.9	15.2	.68b	3.2	.....	6 mos.	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind	N	43.13	3.38	8.5	44.00	37.75	44.00	24.50	7,819	3.24	1.49	117.4	17.1	.12	.3	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp	N	47.50	4.00	9.2	47.63	41.63	48.19	34.03	27,401	3.72	1.64	126.8	20.4	1.16	2.4	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp	N	52.50	11.38	27.7	53.75	39.75	53.75	31.00	58,346	11.41	3.23	253.3	12.0	1.12	2.1	.....	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim	N	59.38	- .38	- .6	59.63	59.13	62.38	32.41	3,206	.81	5.88	- 86.2	17.0	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Warman Ind	M	12.00	.25	2.1	12.00	11.63	13.25	6.47	1,381	2.18	1.36	60.3	20.0	.10	.8	.....	fiscal	06-87	32.4	17.0	1.3	30.0	.20	- 37.5	117.1	19.7	3.8	35.7	.60	- 33.3
Weyerhaeuser	N	52.88	1.63	3.2	53.50	49.75	60.00	34.63	47,665	3.52	1.91	84.3	21.0	1.30	2.5	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Wyeth Company stymies rumors of imminent demise

(Continued from page 1)
Express and wagon trains heading west.

Asked bluntly if Wyeth was going down, the president shook his head. "No. We don't care about the sales numbers right now. We're looking for profitability." Wyeth is looking to be profitable by this year.

Contrary to its appearance of collapse, Wyeth's condition was far from terminal. Al Cody, national sales vp with Kirkhill Inc., a California plumbing supplier, noted that even with all its disruptions, Wyeth was never more than 15 days off its normal 45-day payment schedule.

As it looks to get back on its feet, Wyeth will depend on the kind of dealer loyalty manifested by Randy Rodgers, general manager of the three Big L Lumber and Home Centers in Oklahoma City, Okla., which have been buying from Wyeth for a decade, even after the distributor's fill rate dropped below 65 percent

"We gave them a chance to correct their problems," said Rodgers, adding that Wyeth's service level is now around 85 percent. "When long-standing relationships evolve, you just don't drop them."

Since Max Wyeth became president in January (his father, William III, is chairman), the wholesaler's management—including the vice presidents of operations and marketing, its chief financial officer and regional managers—have been replaced.

Michael Lissner, an independent consultant brought in to help Wyeth last May, said the wholesaler has paid down its long-term debt in the last year, plowing back $2 million to its lenders—primarily Security Pacific Business Credit and First National Bank and Trust Co.

Since May, Wyeth has trimmed an additional $2 million off its operating expenses by converting assets like its overfunded pension fund and whole life insurance policies to liquid assets, Lissner said.

Also in the last 120 days:

- Wyeth sold off its Des Moines, Iowa, distribution center, gave up the lease on one of its Texas facilities and put its Oklahoma distribution center up for sale. Last year, it closed its two Texas distributors, acquired in 1984;
- Restructured its sales force by firing 40 persons, leaving it with a 60-person staff. In weeding out sales personnel, Wyeth is also evaluating products based on margins;
- Eliminated office personnel and part-time stock pickers from its 500,000-square-foot headquarters warehouse, with full-timers rotating to different areas depending on need;
- Started eliminating smaller retail accounts by scaling back deliveries and instituting higher charges;
- Scheduled payments to 30 percent of those vendors not participating in Liberty-sponsored programs. It asked most vendors to take back slow movers in an effort to trim inventory; some refused. Wyeth now allows retailers to destroy defectives in the field rather than returning them;
- Refined its distribution system after an unsuccessful trial with common carriers to reduce shipping costs, by selling off trucks acquired from its Texas operations, running double-trailer loads from St. Joseph into Texas and Oklahoma, and depending to a smaller degree on common carriers to outlying retailers.

One word describes Wyeth's problems: expansion.

Wyeth had grown through acquisition, picking up eight distributors from 1968 to 1986 and boosting sales to $45 million from $10 million.

In 1984, Max Wyeth moved down to Houston to run the newly acquired $9 million Heitmann Bering-Cortes distributor, with 750 accounts serviced by 24 salesmen and five trucks; and the Austin, Texas-based Walter Tipps Co., with 52 salesmen and sales of $20 million from 3,145 mostly auto supply dealers.

In addition, Wyeth had acquired a break-bulk facility in Conroe, Texas, near Houston. "We had entrance to the fastest growing area of the U.S.," said Wyeth. Wyeth spent an undisclosed amount of money refurbishing these locations.

But in late 1985, when Wyeth needed inventory financing, its hometown lender, the First National Bank of St. Joseph, was declared insolvent, swallowed up overnight by a larger consortium.

This left Wyeth with no longtime banking friend or a credit source.

Then, over the next year, the price of oil fell to $10 a barrel from $31 a barrel and "the glow went off the oil economy," said Wyeth. Sales projections for the Texas operation became meaningless.

The wholesaler reacted swiftly but not popularly. "We laid off people before Exxon did," said Wyeth.

Seeing the need for immediate help, Security Pacific and Wyeth decided to bring in a consultant to make radical changes needed for cash to pay both vendors and lenders.

Lissner, a 47-year-old Chicago attorney, was one of four "turnaround specialists" interviewed by Wyeth; he was brought on in May. (He denies competitors' claims that he is receiving 20 percent of Wyeth's closely held stock as compensation for his services.)

Before extensive cost-cutting measures—from country club memberships to mailing expenses and possibly even wages and salaries—Lissner and Wyeth zeroed in on distribution, eventually closing the Houston-area break-bulk facility and both the Iowa and Oklahoma distribution centers.

During its halcyon days Wyeth had 5,000 accounts, but that number dwindled as the whole energy economy was put on hold in Texas, Oklahoma, Nebraska and Colorado. Wyeth scrambled to consolidate the Texas inventory into its DC in St. Joseph. But the warehouse was bursting at the seams, with "too many avocado toilet seats," Wyeth quips.

Some of these products were bought back by vendors.

Patrick Sher, Mr. HOW founder, dies after battle with leukemia

(Continued from page 6)
then the next you spend trying to figure out how to lick it,' " Van Note added.

Sher entered the home improvement field in 1976, after spending 14 years at Sears in operational and personnel capacities, when he joined what was then Evans Products Co. in 1976.

Over the next three years, Sher was regional vp at Evans' Grossman's chain, where he oversaw the operations in five states.

From 1979 through 1982, Sher was ceo at Lindsley, which at the time operated 43 stores.

He left Lindsley in April 1982 to form HomeOwners Warehouse, a warehouse-style home improvement center. Eventually, the company's name was changed to Mr. HOW Warehouse and it opened its first store, a 70,000-square-foot unit in Coconut Creek, Fla., in March 1983.

Three months later, Sher sold the company for $14 million to Service Merchandise, the Nashville, Tenn.-based catalog showroom chain. He stayed on as president until Feb. 25, 1985, when Sher and executive vp Steve Dougherty resigned after what appeared to be a power struggle with Service's chairman Ray Zimmerman. Last year, Mr. HOW, which had grown to almost 30 stores, was dismantled and sold off as it fell victim to Service's overly-ambitious expansion plans and operational neglect.

In October 1986, Sher and Dougherty opened their first Office Depot unit in Fort Lauderdale, Fla., and had since expanded the operation to seven stores in Florida and Georgia.

Sher is survived by his wife, Gloria, four daughters and one son. Funeral arrangements had not been determined when *NHCN* went to press.

Sears plans additional 73 units for its Paint & Hardware chain

(Continued from page 1)
oversee pricing, promotion, assortment and general administration of the stores.

The company has consistently declined to provide information about these stores' sales or earnings performance, but the most recent expansion plans can be seen, in some respects, as a reflection of Sears' satisfaction with the concept.

The financial commitment that the company needs to accelerate the P&H chain's growth is no where near what it costs the chain to expand its full-sized department stores. The P&H units are mostly in leased sites, for which Sears is paying an estimated $4.50 to $5 a square foot. And company officials have said that once Sears negotiates for a site, it can get a store into operation within 30 days.

Over the past four years, Sears has been fine tuning this specialty store concept, particularly its merchandising. "The stores undergo a constant evaluation of assortment," explained Sears' marketing communications manager Michael Mangan. "The net result has been that the Paint & Hardware stores carry product that best serves the market."

That means that aside from its basic paint and tools mix, a store in Southern Florida would stock recreational gear such as sporting goods.

In those markets with older homes, the P&H units offer an emergency water heater replacement service with next-day installation.

And in a number of P&H stores, a customer who can't find what he came for is able to look up the item in an in-store catalog and phone one of Sears' nearby department stores that will deliver to the P&H unit in 2 to 4 days.

The specialty stores are also going after more contractor business by opening up at 7:30 a.m. and offering discounts.

The P&H store was introduced in March of 1983 when the company opened a 3,300-square-foot unit in Buffalo Grove, Ill., and followed with similarly sized units in Bohemia, N.Y.; Upland, Calif.; Addison, Ill.; and Union, N.J.

The Union store, opened June 29, 1983, in many ways emerged as the prototype for future expansion as it was larger (4,700 square feet, of which 3,500 square feet were used for selling space), carried more stockkeeping units (1,235) and inventory (between $150,000 and $200,000 at cost) than the other stores.

It appeared for a time, though, that Sears wasn't all that excited about expanding this specialty chain, as it only had 12 stores in operation through March of 1986.

However, that month, the company announced its plans to roll out 50 new P&H units over the next nine months. At the time, vp-home improvement John Parsons said that most metro markets in the country "could handle 25 to 30 Paint and Hardware stores."

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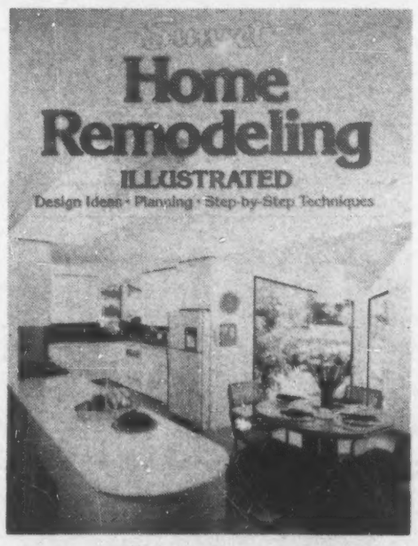

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